THE CHINA WEEKLY REVIEW

密勒氏評論報

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February 24, 1940

S.M.C. Cedes Police Rights to Puppets

An Editorial

China's Precarious Unity

BY EDGAR SNOW

Development in Kweichow

BY C. C. CHANG

Slump of Chinese Dollar

BY JOHN AHLERS

Japan Makes Bid for Missionary Aid

An Editorial

VOLUME 91 PRICE 50 CENTS NUMBER 13

HONGKONG SHANGHAI TIENTSIN

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What People Are Saying

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

PROTEST WORKED

To the Editor:

In your issue of Feb. 3, summarizing the record of Japanese discrimination against Americans in China, you refer to the expulsion of the Rev. and Mrs. Ralph Scoville from Hwohsien, Shansi. You may not have heard the sequel to this expulsion. The Scovilles had scarcely reached Peiping when the Japanese received a protest in which they learned that the Scovilles were Americans. Immediately there came apologies for the "mistake" and the Scovilles were urged to return to their station. On arrival back at Hwohsien they were met by the committee which had been responsible for their expulsion. This time, however, it was a welcoming committee and its members provided ricshas to take the Scovilles from the station to their home. The journey from the station assumed the character of a triumphal procession, for the Committee had also provided a brass band which headed the richsa-riding party to the mission station.

PERCY PU

Peiping, Feb. 10, 1940

WANTS INTERVENTION

To the Editor:

Japan's ambition to monopolize all of China was shown clearly in the text of the recently-published secret agreement between Wang Ching-wei and the Japanese Government. It was for this reason that Gen. Chiang Kai-shek urged other nations not to stand aside in the present struggle, but to deliver a knock-out blow to Japan while she is weak and fatigued as a result of the present war.

It is well-known that Japan is fighting not only against China but against the whole world. She plans to conquer China, then the rest of Asia, then America, then the rest of the world. This should be borne in mind by our best friends, the peace-loving countries, especially America, England and France, which have great commercial interests and rights in China. These interests and rights were not acquired easily, without paying a price. Are these countries going to let the Japanese take them away? Why are they waiting, when by the simple and easy stroke of armed intervention they can knock Japan out at one stroke?

MU WEN-FU

Kunming, Jan. 31, 1940

DAYS OF PEACE!

To the Editor:

By the way, I should like to tell you that I am the one of your earnest readers, though I am not your subscriber for the time being. I have obtained your every copy by buying them through a friend of mine in Shanghai. But recently, these have been irregular. I am wondering if you can't send the copies regularly as it was in the days of peace? Will you please tell me of the present postal conditions in both Shanghai and elsewhere and are you sure that subscribers will get their copies definitely on time? I am sending you 5 cents in stamps and would appreciate a reply on these various points. Since the very outbreak of the Sino-Japanese hostilities, **The China Weekly Review** has been the only source of securing accurate information of both within and without our nation. But, as stated, we have great difficulty because the mail from Shanghai is most irregular in character.

W. T. Y.

Kinhwa, Chekiang, March (?) 1, 1940.

NOT EASY TO BUY

To the Editor:

The **China Weekly Review** is the most popular and interesting English magazine in this part of China but it is not easy to buy copies from bookstores in this part of the country. Many of us read it, however, in the local Y.M.C.A. library here and in Kian. I am teaching a current English class and obtain most of my material from **The Review.** You should have an agent here.

T. D. L.

Kian and Kanhsien,
Kiangsi, Jan. 30, 1940.

S.M C.-PUPPET DEAL

To the Editor:

When Chairman C. S. Franklin of the Shanghai Municipal Council put his signature to the agreement whereby police authority in the Western Outside Roads District is to be turned over to the local puppets, was this part of a "deal" between the S.M.C. and the Japanese—or the S.M.C. and Wang Ching-wei! — the other side of which we shall learn only later on?

It has been rumored that the S.M.C. ceded its authority to the puppets in exchange for a Japanese promise to restore Hongkew to normal. If so, this part of the deal remains to be carried out, for although neither Chinese nor foreingers require passes to enter the district now, Hongkew still lives in the shadow of Japanese bayonets, while all valuable enterprise is virtually monopolized by the Japanese. As long as this situation continues there can be no real return to normal.

HONGKEWITE

Shanghai, Feb. 20, 1940

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

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NATIONAL CITY BANK OF NEW YORK

Rates of Exchange, Shanghai, February 22, 1940

Demand selling rate on New York: U.S.$1.00—Sh.$14.67

Demand buying rate on New York: U.S.$1.00—Sh.$14.28

Demand selling rate on London: £1.0.0—Sh.$57.74

Demand buying rate on London: £1.0.0—Sh.$56.05

AMERICAN STOCK AND COMMODITY QUOTATIONS

February 20, 1940

STOCKS	*Opening*	*10.30 a.m.*
Amer. Locomotive	19	19
Amer. Waterworks	Unq.	Unq.
Anaconda Copper	29⅞	29⅜
Bethlehem Steel	77¼	77¼
Chrysler	85⅛	85
Elec. Bond & Sh.	7¼	7¼
Gen. Motors	53	52⅞
Goodyear T. & R.	24½	24⅜
Gt. Nthrn. Rly., pfd.	23⅝	23½
Lockheed Aircraft	Unq.	30¾
Mont. Ward	53¼	53¾
N. Y. Central	16½	16⅜
Texas Corp.	43½	43½
U. S. Steel	57¾	57⅝
COMMODITIES		
New York Cotton, May	10.73	10.74
New York Rubber, May	18.40 B	18.40 B
New York Hides, June	14.45	14.44
Chicago Wheat, May	—	102⅛
Chicago Corn, May	—	56⅝
New York Sugar, No. 4, May	—	1.56 B

B—Bid. A—Asked.

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Vol. 91 Shanghai, Saturday, Feb. 24, 1940 No. 13

S.M.C. RELINQUISHES POLICE RIGHTS TO CITY PUPPETS

A *modus vivendi* on the policing of roads in the extra-Settlement district of Western Shanghai was signed at the Civic Center in Kiangwan on Feb. 16 by representatives of the Shanghai Municipal Council and the "City Government of Greater Shanghai," a body presided over by the puppet Mayor, Fu Siao-en. Thus has been ended, at least for the time being, a dispute which —to carry the history of the affair no farther back—grew acute when the former "Ta Tao" municipality assumed formal control of the Japanese-occupied sections of Shanghai after the hostilities ceased at the end of 1937. Putting the matter baldly, the S.M.C. has relinquished police authority over the outside roads in the Western District by agreeing to delegate it to a new police organization over which the S.M.C. will exercise no real control.

The *modus vivendi*, as announced in a communique issued by the S.M.C. Publicity Office, contains eight clauses, as follows:

1. The City Government of Greater Shanghai after consultation with the Shanghai Municipal Council has decided to establish a Special Police Force in the West Shanghai (Outside Roads) Area. There shall be established in the area a suitable number of Police Stations and Sub-Stations. The personnel of this Police Force shall wear a distinctive badge or device and shall have the exclusive right to function in the area during the period of this modus vivendi.

2. The numbers and general structure of this Police Force shall be agreed upon as the result of consultations between the Chief of the Police Bureau of the City Government of Greater Shanghai and the Commissioner of the Shanghai Municipal Police.

3. A number of officers of the Police Force, including certain principal officers, shall be appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

4. The Chiefs of Police Stations in localities where foreigners own extensive property, together with an agreed number of Police Officers, shall be appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

5. The Shanghai Municipal Council shall appoint liaison officers to cooperate with the West Shanghai (Outside Roads) Area Police Force.

6. All cases involving foreign nationals shall be handled by foreign Police Officers who have been appointed by the City Government of Greater Shanghai from among the candidates recommended by the Shanghai Municipal Council.

7. In the case of any disagreement arising between officers appointed by the City Government of Greater Shanghai from among candidates recommanded by the Shanghai Municipal Council and other officers appointed by the City Government of Greater Shanghai, reference shall be made to the Chief of the Police Bureau of the City Government of Greater Shanghai and the Commissioner of the Shanghai Municipal Police for their consideration and settlement. Failing such settlement, the disagreement, if deemed necessary, shall be referred to the Mayor of the City Government of Greater Shanghai and the Chairman of the Shanghai Municipal Council.

8. This modus vivendi is made out in Chinese and English copies but its meaning and interpretation shall be based on the Chinese copy.

Signers of the agreement were Cornell S. Franklin, chairman of the Shanghai Municipal Council, and Fu Siao-en, mayor of the puppet municipality. Also present at the signing of the agreement were G. Godfrey Phillips, secretary and commissioner-general of the S.M.C., R.T. Bryan, Municipal Advocate (S.M.C.), Yoshiaki Miura, Japanese consul-general, and Soo Hsi-wen, chief secretary of the puppet municipality.

In a statement after he had put his signautre to the document, Mayor Fu said he hoped to "renovate and strengthen the police force and maintain peace and order in the Western Area by the satisfactory execution of the agreement, so that I may contribute to the welfare and prosperity of this city."

Most Profitable House

Hollywood, one of the first Chinese-operated, Japanese-protected gambling houses and opium-smoking joints, located on an extra-Settlement Road in the Jessfield district, has operated without interference by the police or International Settlement authorities for nearly two years. Since it was the first in the field it attracted vast crowds of people, chiefly Chinese, men, women and children, who had a good time and spent their money—while it lasted. Hollywood paid a dividend of more than $11,000,000 in 1939 and invested some of its profits in houses recently opened on Great Western Road, particularly "Honeymoon" and "Farren's," the last-named being operated by a European named Joe Farren. Previously, Farren's was a restaurant and night club. While Joe Farren is the proprietor of the entire establishment, the actual operator of the gambling paraphernalia, which includes roulette, chemin-de-fer, and crap tables, is a European who previously operated roulette wheels in the Medhurst Apartment building on Bubbling Well Road. It was rumored that the Settlement police warned the proprietor to close the establishment in the Medhurst Apartment, which, if correct, was interesting in that the police never have interfered with the Asia Club on Gordon Road.

BRITISH CONSUL-GENERAL PAYS CALL ON MAYOR FU

A few hours before the Outside Roads policing agreement was signed, A. H. George, British Consul-General, visited Mayor Fu Siao-en at the Civic Center in Kiangwan, according to the Japanese Army organ, *Tairiku Shimpo*, which described the call as a "courtesy visit." After the agreement had been signed, Mayor Fu referred with appreciation to the aid given in the negotiations by Commander Luigi Neyrone, Italian Consul-General, while the latter, according to the *Tairiku Shimpo*, sent a telegram to Mayor Fu conveying his congratulations on the "satisfactory settlement" of the Western District policing question.

Gratification over the signing of the agreement was voiced in a communique issued by the Japanese Consulate-General, in which reference was also made to the question of restoring the powers of the Shanghai Municipal Police in areas north of Soochow Creek. The communique said that the Japanese authorities were in negotiation with the S.M.C. last year on the latter question, with a view to restoring Hongkew to normalcy, and an agreement was reached. But "unfortunately the negotiations had to be suspended without coming to a concrete arrangement on account of the unwarranted conduct of members of the Municipal Police in the Western District." This referred to a shooting incident on Jessfield Road on Aug. 19, 1939, when two constables of the "Shanghai Special Municipality" were shot dead and six others wounded by a S.M.P. patrol.

It is of interest to note than in the new *modus vivendi* the puppet municipality is given the name "City Government of Greater Shanghai," which was the title of the legitimate Chinese municipal administration in this area that came to an end when the Chinese troops retreated from Shanghai at the end of 1937.

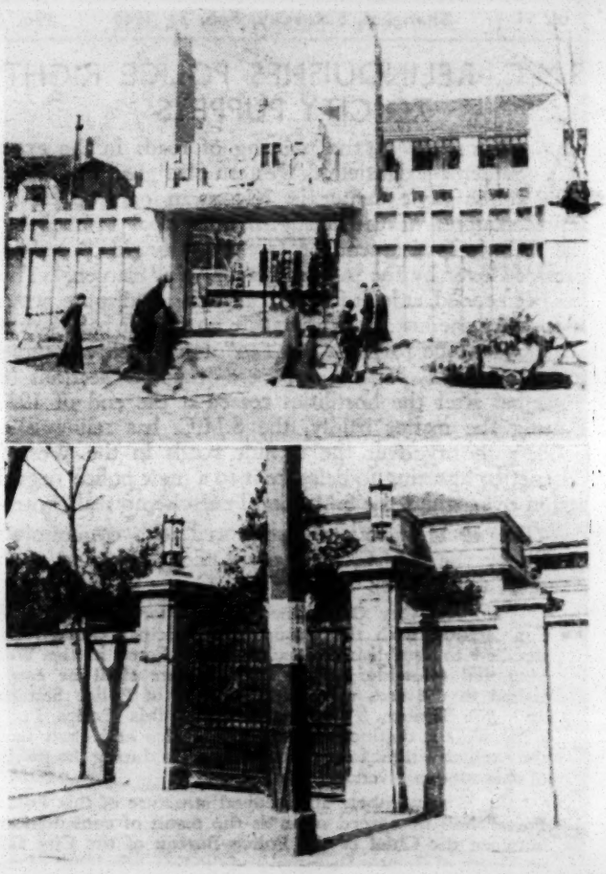
The first Chinese municipal organ formed here after the hostilities was the "Ta Tao" (Great Way) Municipal Government. It was headed by Mayor Soo Hsi-wen, who is now chief secretary to the "City Government." The "Ta Tao" regime was reorganized into the "Shanghai Special Municipality" in October, 1938, with Fu Siao-en as Mayor. Now it has become the City Government of Greater Shanghai.

Under Mayor Fu's regime, the Western District of Shanghai rapidly acquired a malodorous reputation as a center of vice and crime and newspapermen gave to the area the name of "Badlands," by which it is still known. Gambling and opium-smoking dens mushroomed up throughout the district. The narcotics trade, fostered and protected by the Special Service Section of the Japanese Army, had, and still has, its headquarters in the Badlands. Crimes of violence became almost daily occurrences and the criminal elements, not content to remain within the bailiwick established for them by the Japanese military, carried their nefarious activities into the International Settlement and French Concession, using the Badlands as their base of operations.

This festering sore on the outskirts of the city, continuing up to the present time, was made possible by the dispute between the puppet municipality and the S.M.C. as to which body had the right to exercise police powers on the extra-Settlement roads adjacent to the Badlands. Police powers had been exercised by the S.M.C. ever since the extra-Settlement roads were built, but this right was challenged by the puppets with overt Japanese encouragement. Clashes between members of the Shanghai Municipal Police and puppet constables were frequent occurrences through all of last year as armed puppet policemen, defying the established S.M.C. policing authority, filtered into the extra-Settlement roads, patrolled the roads and sometimes even challenged the right of S.M.P. constables to direct traffic at main intersections. On one occasion, Badlands gangsters fired on S.M.P. constables doing traffic duty, no attempt being made by puppet policemen to apprehend the criminals, with whom they were suspected of being in league. The utter ineffectuality of the puppet police force was shown in the long record of robberies and hold-ups by Badlands gangsters on extra-Settlement roads and tributary thoroughfares. In not one instance did puppet police evince the slightest interest in apprehending the malefactors.

It remains to be seen how the new police force will handle the situation. A blow at the gambling establishments operating in the Badlands has been forecasted by the Shanghai *Mainichi*, local Japanese newspaper, which reported last Sunday that 20 such houses had been ordered by the "City Government" to close by the end of the current month. According to the same paper, the owners of the houses have appealed against the order on "humanitarian grounds," stating that 1,500 of the employees will be thrown out of work if the order is enforced. They have asked to be allowed to operate for another six months.

Million Dollar Gambling Palaces



These new gambling and opium-smoking establishments, opened at China New Year, less than a month ago, have been described as "million dollar palaces of pleasure." The top picture is that of the "Victoria," located at Tifeng and Bubbling Well roads in a former school building. This building, together with the grounds and expensive furnishings, probably cost more than a million Chinese dollars. The lower resort, located at 864 Yu Yuen Road, is not so elaborate, but also represents an investment of many thousands of dollars. It is difficult to imagine the Special Service Section of the Japanese Army or the puppet Chinese municipal administration closing these resorts, since the revenues derived from them constitute a chief source of income for both parties concerned.

WILL SHANGHAI LICENSE GAMBLING?

There are rumors in circulation to the effect that behind the orders to close the Badlands gambling and opium-smoking establishments is a plan to license both

types of houses, the object being two-fold, police regulation and revenue. As the situation stands, the International Settlement derives no revenue from the joints which are sapping the life-blood of the city's population. The only interests, aside from the Cantonese proprietors and operators, which have derived a profit from the enterprises, are the Special Service Section of the Japanese Army and the puppet Chinese municipal administration headed by Mayor Fu Siao-en.

For several months a French lawyer in Shanghai named R. d'Auxion de Ruffe, has been issuing a magazine in the French and English languages, which contained articles advocating the licensing of opium-selling and smoking establishments. Mr. de Ruffe also wrote a letter, or letters, to the *Shanghai Evening Post*, advocating the licensing of opium-smoking establishments.

The question has been raised as to whether the *modus vivendi* on policing in the Western District constitutes *de facto* recognition of the puppet municipality by the S.M.C. There can be no question but what it does. Accurately speaking, *de facto* recognition was extended the moment the S.M.C. entered into formal negotiations with Mayor Fu. There can also be no question but what the Powers concerned with the administration of the International Settlement have accorded such recognition, even though only indirectly, for they had official cognizance of the negotiations which have led to the *modus vivendi* and gave them their unofficial blessing.

Whether the *modus vivendi* contradicts the spirit, if not the letter, of the policy of the United States and Great Britain with regard to the International Settlement is another question. Early last year Japan sent proposals to Washington and London for a change in the Land Regulations which constitute the city charter of the Settlement. Washington flatly rejected the Japanese proposal with the statement that no agreement regarding Shanghai could be reached until a more stable situation had been established and warned Japan against attempts to prejudice the international character of the Settlement.

It might be argued, of course, that the Outside Roads do not form part of the Settlement and that consequently there is no conflict between the *modus vivendi* and the policy of the Powers.

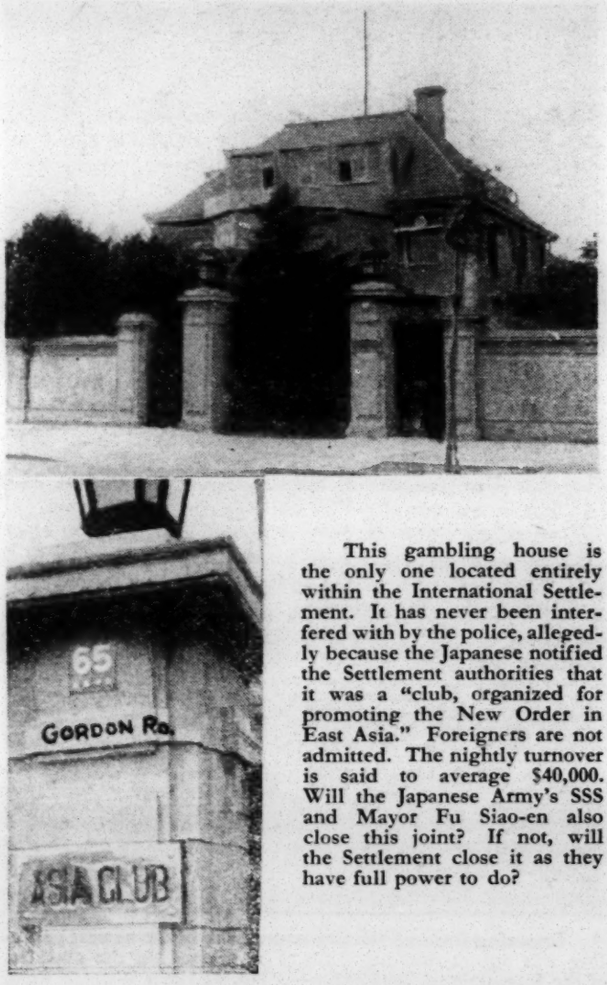
The Outside Roads issue is one of the oldest Sino-foreign problems at Shanghai, dating back to 1925 and even earlier. Acting under a clause in the Land Regulations (City Charter) which supposedly gives the Settlement authority to purchase land and extend roads into the countryside "for defense purposes," the Municipal Council, under the inspiration of real estate promoters, built dozens of new roads in the western and northern suburban districts which had little or no connection with the defense of the Settlement.

The most active of real estate promoters, whose activities were largely responsible for the serious Sino-foreign complications of a decade and a half ago, was F. J. Raven, an American, who later was sent to federal prison in the United States for embezzlement and banking malpractice in Shanghai. Raven bought large tracts of land in the Western district, even as far out as the Chinese Government Hungjao Airdrome and assisted the Municipal Council in extending its road system into Chinese territory. When the Chinese authorities objected to the road extension program on the ground that the roads constituted a scheme for extending the borders of the Settlement, the Settlement authorities always cited the fact that the Chinese landowners had willingly sold their property for the new roads, because it usually resulted in enhanced values.

Finally, when the Settlement, by a subterfuge, built the Great Western Road (extension) across the tracks of the Chinese Government Railway, the Chinese retaliated by digging trenches across the new roads and by holding up and even murdering foreigners who sought to use the disputed roads. In some cases planks were removed from bridges at night, causing serious accidents. Keswick Road, paralleling the railway tracks, was the scene of several murders.

While the road controversy in the western residential district chiefly affected foreigners, a similar controversy resulting from a similar road extension program in the northern district in the vicinity of Hongkew Park, brought the Japanese into the picture, because they were chiefly concerned there, having just purchased most of the property in the area where the Japanese naval barracks and headquarters is located.

"New Order" Gambling House



This gambling house is the only one located entirely within the International Settlement. It has never been interfered with by the police, allegedly because the Japanese notified the Settlement authorities that it was a "club, organized for promoting the New Order in East Asia." Foreigners are not admitted. The nightly turnover is said to average $40,000. Will the Japanese Army's SSS and Mayor Fu Siao-en also close this joint? If not, will the Settlement close it as they have full power to do?

Japanese military intervention here in the early spring of 1932, following the Japanese invasion of Manchuria, was closely associated with the old controversy over the Outside Roads issue. On the afternoon preceding the Japanese intervention—which started at midnight—there had been a conference of foreign defense commanders and a "state of emergency" had been declared. What took place at that meeting has never been adequately explained, but it was reported that the Japanese naval commander had boasted that he could "take" Chapei and the Shanghai Railway Station "in three or four hours." Whether the foreigners secretly encouraged the Japanese to "punish" the Chinese is not known, but the Japanese move, due to Chinese resistance, soon turned out to be a major tragedy, resulting in a war which lasted for a month, causing vast human and material loss. Despite their heavy losses, the Japanese

repeated the intervention—with further heavy losses in 1937.

As a result of serious anti-British disturbances and boycotts, (1925 and after) the Settlement authorities were forced to give up their road extension program, and after the Nationalist Government was established negotiations were initiated with the object of adjusting the problem. But while the negotiations eased the situation, no general agreement was ever arrived at. However, several phases of the situation were adjusted. Among other things it was agreed that foreigners should purchase Chinese license plates for their cars, something they had long refused to do.

One of the first actions of the National Government, after coming into power, was to build the Chungshan Boulevard, entirely around the two foreign-administered areas, the object being, apparently, to prevent the Settlement and French Concession from further expanding into Chinese territory. Later, the Chinese authorities, under the administration of Mayor Wu Te-chen, created the "Municipality of Greater Shanghai" and initiated the vast development program at Civic Center, and along the Whangpoo in the vicinity of Shanghai College. While the Civic Center development did block the further extension of the International Settlement to the North, it really made Settlement extension unnecessary because it provided territory and facilities for expansion.

Had the Japanese invasion not interfered, the foreigners and Chinese authorities undoubtedly would have reached a satisfactory agreement, possibly through an amalgamation of both foreign areas into a really "Greater Shanghai." After the beginning of the Sino-Japanese hostilities, a movement was started by certain foreign interests to create a "city state" embracing a large section of the territory at the mouth of the Yangtsze and extending inland for many miles. The foreigners thought they would be able to obtain Japanese support for the scheme and for a time the Japanese did appear to favor the plan. But later on, after the Japanese Army had established itself in the Shanghai terrain and had begun its profitable racketeering activities, the Japanese ceased talking about a "city state" and began their program of squeezing the foreigners out entirely.

Since the foreigners had long held out against the pressure of the regularly constituted and recognized Chinese National Government for an adjustment of the road problem, the present deal—negotiated in secret—with an unrecognized alien-controlled regime, reflects no credit on any of the parties concerned with the deal. The fact that at least two members of the Council, an American and a Briton, resigned because of dissatisfaction over this and other matters, indicates that disapproval of recent developments exists inside as well as outside the local administration.

If those who were responsible for the secret deal are under the impression that they have "appeased" the Japanese and the puppets, they will be disillusioned shortly, because the surrender of the roads, without adequate compensation for the Settlement will only whet the appetites of the Japanese and their hirelings for complete control of the Settlement proper. There have been rumors that the Japanese may attempt to obtain control by packing the ratepayers' meeting this spring.

Nathaniel Peffer, former editor of a newspaper here and now a well-known writer and lecturer on Far Eastern topics, recently expressed the view that energetic and intelligent action by the Powers, particularly the United States, might save the International Settlement from Japanese control, but he added the following qualification: "Provided the directors of the Settlement do not 'sell' or give it away in the meantime!"

Up to the present the municipal voters, Chinese as well as foreigners, have remained silent and passive, but we imagine that the growing storm of indignation will sooner or later blow the lid off and expose to public view the things which are now hidden and only suspected by the people who, ultimately, will be required to pay the bills. Perhaps the forthcoming ratepayers' meeting will provide the opportunity.

Not a "Gretna Green"

Imposing front of "Honeymoon," one of the newest gambling and opium-smoking joints to be opened on the outskirts of the International Settlement—at No. 42 Great Western Road in the vicinity of the American Columbia Country Club. This establishment is owned by the proprietors of Hollywood, largest gambling and opium-smoking joint in the badlands area on Yu Yuen Road.

Japan Plans Economic Advances to the South

With Formosa and the South Seas Islands as stepping stones, the Japanese Government is planning economic advances to the south, Gen. Kuniaki Koiso, Minister of Overseas Affairs, reported to the budget committee of the House of Representatives on Feb. 17, according to *Domei*.

South China, Thailand, the Malay States and the Dutch East Indies would probably be the objects of the economic advances, the Minister said. The Japanese Government, he added, is interested in the acquisition of natural resources and the exploitation of Japanese markets abroad.

It is not Japan's intention to achieve the aims of the economic advance, he continued, by means of emigration, but by the establishment of Japanese enterprises. For this purpose, he stated, investigations would first be conducted.

Factors in the New Drop of the Chinese Dollar

BY JOHN AHLERS

THE decline of the exchange value of the Chinese dollar which began immediately after Chinese New Year has again brought to the foreground of Shanghai's economic and financial problems the question of China's currency. The city's living standard, the activity of its industries and its foreign trade are all closely associated with the Chinese dollar's exchange level. Another substantial and lasting drop in the exchange value of China's currency is bound to have far-reaching effects upon the whole of Shanghai's economy and finance.

As these lines are being written, Shanghai exchange rates for Chinese dollars have not yet descended to the depth reached last summer, following the July depreciation and the discontinuation of exchange allotments out of the Anglo-Chinese Stabilization Fund. Local exchange rates still are substantially above that record low. Shanghai has almost forgotten the currency abyss of last summer. The past autumn brought a considerable appreciation of the China dollar's exchange value, and for several months Shanghai has become accustomed to consider a rate around eight American dollar cents for the Chinese dollar as a sort of new standard rate. Repeatedly, of late months, China's national currency advanced considerably beyond that rate, at one time surpassing even a quotation of nine American dollar cents. Against the background of that recent firmness of the Chinese dollar, the present weakness and drop below seven American cents have greatly disappointed and alarmed Shanghai.

There are many people who lightly talk about the bottom dropping out of the exchange market and China's currency threatening to lose its value altogether. As everything else in the world, that currency is unlikely to last eternally. At the moment, however, there are no indications that the Chinese dollar is approaching the end of its career. Two important facts ought to be kept in mind. The Chinese Government banks still hold genuine currency reserves in foreign exchange and bullion sufficiently large to provide, at present exchange rates, for a note coverage substantially higher than that, for instance, of Japan. The more the Chinese dollar depreciates, the higher that percentage becomes. Moreover, even if there were not any reserves behind the Chinese dollar, it would not automatically become a worthless currency. As long as there are people in China using that currency, it will retain a certain value.

There is plenty of room between the present exchange value of China's dollar and zero, and somewhere between lies the new natural level of exchange rates for Chinese dollars. That level will be found, and upon that level a readjustment will take place in Shanghai's economy. Months of currency unrest will be followed again by months of renewed comparative currency stability. Anyone who could predict approximately the next natural exchange level for Shanghai could make millions if he raised the necessary capital. So many factors are involved in the determination of Shanghai's future exchange level, however, that such prediction appears unusually difficult to make. Nevertheless, there are indications pointing to the probability that the present exchange confusion in Shanghai will calm down at a point very much nearer to present rates than to zero.

In the case of Shanghai, depreciation of the local currency usually produced the following consequences: a decrease of imports, an encouragement of exports, a general increase in the price level, reducing real wages and salaries and thereby cheapening local labor and other human services. The experience of the past few years tends to show that a 50 per cent drop in the local currency's exchange value, readjusted by a subsequent minor appreciation, is required to bring about such results. Shall we have to wait, then, until exchange falls to some five American dollar cents on New York, before those consequences materialize? Such mechanical reasoning might be greatly misleading.

Today, importers of raw cotton, coal, wheat, rice, etc. would gladly buy supplies and settle forward exchange at a rate on New York slightly above seven American dollar cents. The decline of that rate by but a few sixteenths below that level makes them reluctant to buy, and induces them to run heavy risks in waiting

Japanese Janus

Hsin Hua Jih Pao, Chungking

The Nippon Janus tells Uncle Sam he is willing to adjust relations, but on the other hand he declares his "immutable" determination to establish the "New Order" in Asia. The "wolf" in the lower right corner labeled "Wang Ching-wei," is urging peace with Japan.

for a possible reaffirmation of the Chinese dollar's exchange value. It appears that this time a decline in the New York rate by one American dollar cent approaches the materialization of results which last summer, and in the spring of 1938, could be produced only by a much sharper decline. The chief reason is that at the present time there are at work factors which tend to enhance the effects of local currency depreciation upon imports.

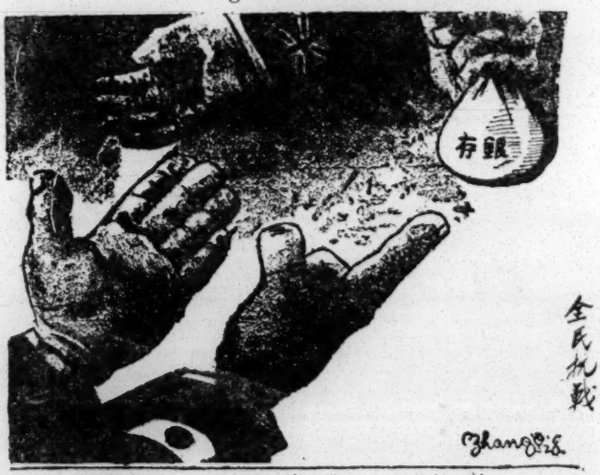
Foremost among these factors are the scarcity of shipping space and the high level of maritime freight rates. One should be inclined to expect, at first thought, that from all over the Pacific tramp steamers would rush to Shanghai to take advantage of this situation, and thus bring relief. There are today many more American tramp ships active in Pacific waters than before the revision of U.S. neutrality legislation. The great disadvantage in Shanghai's shipping position, however, is the disproportion between the volume of cargo available for shipment to Shanghai, as compared with that of cargo available from Shanghai. Many tramp ships which would be prepared to bring foreign cargo to Shanghai, fear that they will have no return cargo. Frequently, therefore, cargo rates quoted for shipment to Shanghai include charges for empty return voyages.

The shortage and expensiveness of shipping space in Shanghai also tends to retard an early encouragement of Shanghai exports by the decline in the exchange value

of Chinese currency. The upward movement of Far Eastern freight rates works against Shanghai exports. It compromises Shanghai's prospects of further profiting, as a manufacturing center, from the European war. Despite the isolation of Shanghai from the hinterland, and the Japanese grip upon the country's foodstuff and raw material resources, reasonable freight rates still would enable Shanghai industries to import raw materials from abroad, and to export finished industrial products to foreign countries. Excessively high freight rates, however, absorb the margin which otherwise would provide local industries with a substantial manufacturing profit on foreign account.

There is also the coal shortage to be considered. The coal plight of the Japanese sphere of power is felt in Shanghai, where the Japanese encroach upon the city's coal resources. The result is that Shanghai is short of nearby coal obtainable for Chinese currency, and has an unusually large demand for foreign coal available against foreign exchange only. This situation exercises additional pressure upon local exchange rates and greatly handicaps Shanghai industries through the difficulty of obtaining sufficient coal, as well as through the increase in the cost of local industrial production resulting from the exorbitant coal prices. It provides a further reason for Shanghai industries to restrict their activities and their importations from abroad.

Handing Over the Silver



張仃作 當勾的鈅非

Mass Resistance Weekly

It would be unlawful for Great Britain to hand over to Japan the Chinese-owned silver stored in the British Concession at Tientsin, says the cartoonist. A reference to the matter was made by Foreign Minister Arita before the Budgetary Committee of the Japanese Diet on Feb. 16, when he denied that Japan had negotiated with the Chungking Government, through Great Britain, regarding disposal of the silver in Tientsin.

In the light of the coal and shipping shortage, the present local exchange situation appears to be different to a certain extent from apparently similar situations in the recent past. The decline of exchange rates for local currency seems likely to produce a contracting effect upon imports earlier than before, thereby relieving the exchange from pressure, but local exports cannot be expected to recover as quickly as formerly. The readjustment of the exchange situation on a new level may not be far off, but may take place in the midst of a temporary general recession in Shanghai business. Whether the abolition of many Japanese-made restrictions in parts of the city north of Soochow Creek and the return of masses of Chinese to those areas, or the eventual opening of the Yangtsze River as far as Nanking, will shorten the duration of that recession, yet remains to be seen.

The exchange problem of Shanghai, finally, is not only one of the exchange rates. Freedom or control of the local exchange market is another factor. At present, Shanghai is outstanding in the whole Japanese and Chinese spheres of power as the great free exchange market where alone it remains possible freely to transact any exchange deal whatsoever. It is not unlikely that the currency experiment envisaged by Wang Ching-wei will form another attempt to enforce Japanese-managed control of foreign exchange upon Shanghai. This danger ought not to be ignored and Shanghai would do well to prepare in time the defense of its free exchange market. The freedom of that market, for practical purposes, is more important than any possible change in exchange rates for local currency.

China's Precarious Unity

BY EDGAR SNOW

The New Republic, N. Y.

CHINA'S "United Front," which was expected to produce democratic harmony between the Kuomintang (Nationalist Party) and the Kungchantang (Chinese Communist Party), has failed to provide either democracy or basic harmony. Their relations, which resemble an armed truce more than political coalescence, are one of the world's political curiosities.

Big officials in the Kuomintang candidly say that the "United Front" is a myth which exists only in Communist phraseology, and deny that the Communists have the legal basis to entitle them to a form a political partnership of equals. Some attempt to convince you that the Communist Party does not, in fact, even exist, although anyone can read its official announcements in China. Communists claim a legal position on the basis of a statement made by Chiang Kai-shek in December, 1937, in which he said that he had reached an understanding with the Communist Party. But the Generalissimo added to the confusion when recently he told a German correspondent that " there is not a single Communist in China." Nobody yet knows exactly what he meant.

"There is no such thing as a Communist Party in China," General Chiang Ting-wen told me in Sian. "It ceased to exist after it surrendered to the Kuomintang, following the Sian incident (in 1936). As there is only the Kuomintang Party in the country, there can be no question of a 'United Front.'" General ChiangTing-wen is not only the Generalissimo's personal representative in Sian and a powerful figure in the Kuomintang, but is also governor of Shensi Province.

Actually, about one-third of his Shensi is under the complete political and military control of the Communists' "Border Government." General Chiang does admit the reality of that Shensi Border Government, but not its legality. The Central Government, he says, has merely permitted the "ex-Reds" to stay in North Shensi for the present, but eventually—perhaps before the war ends—it will "readjust" this anomalous situation, and restore Kuomintang administrative authority there. Another Border Government, also controlled by Communists, now extends over an immense area, mostly behind Japanese lines. It includes parts of the provinces of Shansi, Hopei, Chahar and Shantung. General Chiang also denies the legality of any Communist power there.

This seems to be the position held by the majority of the Kuomintang and members of the Central Government. General Chang Chun, in Chungking, told me practically the same thing. As vice-chairman of the Executive Yuan he is China's "Vice-Premier." Concurrently he is secretary of the Supreme War Council

In those two offices he combines high military and executive authority enjoyed by no one else but the Generalissimo. Some people regard him as the second most influential man in the government.

A realist, General Chang Chun does not deny the *de facto* existence of the Communist Party. But he rejects the United Front, and he regards any Communist-run administration as illegal and requiring "readjustment" by the Kuomintang. Is this attitude maintained in order to allay Anglo-French-American fears that China is "going Red"? That may be a factor, but it is mainly an expression of the basic antagonism.

All areas, including those behind the Japanese lines, must recognize the monolithic party authority of the Kuomintang, according to General Chang. He admits that much of this authority, especially in the guerrilla regions, has now passed into non-Kuomintang hands. But active steps are being taken to alter the situation. To recover its lost political authority in the areas "occupied" by Japan the Kuomintang has now organized a War Areas Political and Party Affairs Administration which is competing with the Communists for control over a vast guerrilla front.

The most serious Communist-Kuomintang conflict since the beginning of the Sino-Japanese war was the miniature civil war which took place in central Shensi last June. There General Tung Chao, commander of the Twenty-eighth (Central) Army, and a subordinate of General Chiang Ting-wen, attacked a Communist "frontier" outpost at Sunyi, northwest of Sian. During fighting which lasted over a week, both sides suffered heavily. Yenan—Communist headquarters in North Shensi—appealed to the Generalissimo to intervene. He finally did so, by ordering the Communists to abandon the outpost. The matter was settled by making their withdrawal permanent.

Incessant disputes elsewhere have led to small battles, especially in Hopei and Shantung, far behind the Japanese lines. This kind of friction increased because of a change in Kuomintang policy. At first Kuomintang troops withdrew in a body, accompanied by political officials, from areas where only a few cities were penetrated by the Japanese. Communists quickly poured into the political vacuum thus created in the unoccupied hinterland of the cities. They mobilized the people for guerrilla war by forming new representative governments, friendly to themselves. Alarmed, the Kuomintang government began to train guerrilla leaders of its own, and guerrilla political workers. It is these who are now being sent back to "recover" many regions—not from the Japanese in the "lost" cities, but from Communists in the hinterland.

Three different politico-military fronts thus exist in some parts of the "guerrilla empire": a Japanese-Communist front, a Japanese-Kuomintang front and a Kuomintang-Communist front. In a few places the last-named is guarded like a national boundary, manned with machine-gun nests and garrisons. If Communist troops trespass upon guerrilla areas held by Kuomintang troops they are disarmed, and on occasion imprisoned or even executed.

Though there is no such thing as democracy under the United Front, and Communists are not permitted to compete with the Kuomintang politically inside "Free" China, they maintain half a dozen open offices in the provinces. These act as liaison and communications depots for Communist armies: the Eighth Route Army in the Northwest, and the New Fourth Army, which operates in the lower Yangtsze Valley on the outskirts of Shanghai and Nanking. Communist Party representatives live in the Chungking depot of the Eighth Route Army, but nominally they are there, according to the Kuomintang, only as delegates of the army which is under Chiang Kai-shek's general command. The Communist newspaper published in Chungking (under Kuomintang censorship) is explained on the same basis. Communists in such depots are not supposed to recruit, organize or carry on propaganda.

While most Communist-Kuomintang trouble occurs in the guerrilla regions, the existence, inside Kuomintang lines, of the army depots causes friction. Some Kuomintang officers, especially those of the violently anti-Red element, known as the "Regeneration Society," want to close them down entirely. They are under constant surveillance, and their visitors are frequently seized and imprisoned. This has been particularly true in Sian, where scores of students, attempting to reach the Communist schools at Yenan, have been arrested, detained or sent back home under observation.

Last summer quite a serious incident occurred at a New Fourth Army liaison depot in Pingkiang, northern Kiangsi. Kuomintang troops, under General Yang Sen, surrounded the little office one night and arrested all eight occupants. They were accused, it seems, of being "rebels," and were taken out and executed. Not long afterward the Eighth Route Army office in Wanhsien, Szechwan, was similarly raided. Some of its staff were removed and buried alive.

Communists have accepted annoyances and restrictions with little open protest, and are reluctant to advertise their difficulties. But these incidents were too menacing to be ignored. In Chungking they called a memorial meeting for their dead, inside their own compound, and invited leading Kuomintang officials to attend and hear their complaints. A number of gendarmes, uninvited, formed the principal response. Generalissimo Chiang, however, expressed indignation at the occurrence, and is reported to have promised to punish the offenders. Liberal elements inside both the Kuomintang and the Central Army strongly resent this renewal of civil-war practices, and privately sympathize with the Communists. They demand that as long as the Communists continue to fight the Japanese their army representatives should be given protection.

Despite such difficulties, Mao Tse-tung, leader of all the Communists in China, Manchuria and Inner Mongolia—and these now control organized armed effectives of perhaps 200,000 men—continues to reaffirm his belief in the "United Front." Addressing Communist political and military leaders in Yenan recently, he enumerated various "crimes" against his followers. Even if conditions grew much worse, however, he said that the Communists would continue to support Chiang Kai-shek and the Central Government as long as they maintained the struggle against Japan.

Tension between the two parties has increased whenever pro-peace sentiment has risen in China. The worst period since the war began thus coincided with the nadir of the war party's influence, last June and July, when part of the Central Government strongly urged a compromise with Japan. A partial restoration of the old civil-war blockade was enforced against some Communist areas, and "border" incidents, in which hundreds of "Red" troops were killed, became daily events.

American abrogation of the trade treaty with Japan came at a critical and decisive moment. Its disastrous effect on Anglo-Japanese negotiations in Tokyo, followed by greatly increased help to China from Russia, silenced much of the peace talk in Chungking. Recent Chinese land and air victories at Changsha, in Shansi, and in Hankow, helped still more to restore Chinese confidence in the slogans of the "protracted war."

Although Soviet Russian policy in Europe has weakened the prestige of the Communist Parties in most countries of the world, it has not yet done so in China. The withdrawal of active aid by Britain and France left China far more dependent on Soviet help. Consequently the anti-Communist elements in the Central Government have been temporarily somewhat

silenced. A slight effort is being made to improve Kuomintang-Communist relations, as a corollary of closer cooperation with the Soviet Union.

Should Soviet policy, on the other hand, take a turn that seemed unfavorable for China's cause under Kuomintang leadership, the internal effect might be far worse here than in Europe. Civil war would probably follow on a large scale. Any Soviet attempt to mediate a Sino-Japanese compromise, therefore, would have to carry with it explicit recognition of Kuomintang ascendancy in what remained of "Free" China. Otherwise the peace would probably turn out to be an anti-Communist one—perhaps as part of a pact on a world scale.

They Do and They Don't Want To Treat With General Chiang

WHO speaks for the Japanese Government? Who makes Japanese official policy? The questions are highly pertinent in view of the contradictory statements coming out of Tokyo these days with reference to Japan's attitude toward the Chinese Government headed by Gen. Chiang Kai-shek.

In the spring of 1938, Prince Fumimaro Konoye, then the Japanese premier, declared that Japan would never have any further dealings with Gen. Chiang and his government. That policy

"China Must Fight On"

Hsin Hua Jih Pao, Chungking

The Chinese figure says: "The war must be continued." The broken figures at the bottom are labeled "Japan" and "Wang Ching-wei," with their broken signboards labeled "Peace and Surrender."

stood unchallenged until a minor official—to wit, Mr. Sotomatsu Kato, Japanese minister-at-large in China—declared that any member of the Chungking Government, including Gen. Chiang, would be welcome to join the new central puppet government of China, when formed, provided they changed their views, especially regarding the Communists. This was said at Peiping on Sept. 23, 1939.

The next official Japanese declaration on the subject was made by Premier Yonai before the budgetary committee of the House of Representatives in Tokyo on Feb. 7. The Japanese Government, he said, would not object to members of the Chungking Government joining the projected Wang Ching-wei regime, and this included Gen. Chiang Kai-shek.

On Feb. 19, according to a *Domei* report from Tokyo, an unnamed spokesman of the Japanese Foreign Office spoke his piece, declaring that Japan's policy of refusing to treat with the Chungking Government headed by Gen. Chiang still stood. He went on to refer to a statement made two days earlier by Lieut.-Gen. Heisuke Yanagawa, governor of the Asia Development Board, before the budget committee of the House, who said that the China "incident" could be regarded as terminated when the Chungking Government cooperated with the projected new central government of China. Lieut.-Gen. Yanagawa meant that the China "incident" would be closed when the Chungking regime had been absorbed by the new puppet regime, the Foreign Office spokesman elucidated.

The Army, of course, felt constrained to make an official statement on the subject. And so a War Office spokesman declared in Tokyo on Feb. 19, according to *Domei*, that the Japanese Army has "no intention whatever to make peace with the regime of Gen. Chiang Kai-shek and will act in accordance with the fixed policy of the Government, which refuses to have dealings with the Chungking administration."

It does not seem to have occurred to the gentlemen quoted above that Gen. Chiang Kai-shek might not be prepared to treat with the militarist Tokyo regime, and that the question they are exercising themselves over may therefore be—to put it mildly—somewhat academic. Perhaps with the idea that this aspect of the matter should be made to penetrate the thick skulls of the Tokyo militarists, Gen. Chiang issued a statement at Chungking on Feb. 18 on the eve of the sixth anniversary of the founding of the New Life Movement. The Generalissimo reiterated China's determination to continue the struggle against Japan and to refuse to compromise or surrender. "We are 100 per cent sure of victory," he declared.

Major-Gen. Francis S. Piggott, former British military attache in Tokyo, performed what he doubtless considered a useful propagandist service for Japan on Feb. 16 when he defended the Japanese conception of a "New Order" in East Asia and predicted the eventual disappearance of the regime of Gen. Chiang Kai-shek. Piggott spoke at Chatham House in London, where he recently returned from Japan. According to *Domei*, which reported his remarks, Piggott cited three factors as reasons for his belief in Japan's final victory—1. The Japanese Army is more powerful than ever before. 2. The effects of the China war are not very noticeable in Japan, the only shortages felt being in cotton, gasoline and coal. 3. Japanese successes in Formosa, Korea and Manchukuo make further successes in China likely. The Japanese idea of a "New Order" in East Asia, Piggott explained, meant that the Japanese want China to be a better neighbor, at the same time desiring certain political and economic advantages in North China.

Piggott's "three factors" can be upset by the simplest references to the recorded facts and serious students of Sino-Japanese affairs will smile irreverently on reading them. Piggott may have been a good military attache, but like most military men turned politician he succeeded by his remarks in London in making a fool of himself. It is of interest to recall that it was Piggott who was instrumental in obtaining the release of Col. C. R. Spear, British military attache in China, from the clutches of the Japanese Army some months ago. Spear was arrested as a spy in Inner Mongolia and held prisoner for several months by the Japanese military despite his semi-diplomatic immunity. Piggott got him released by trading to the Japanese the lives of four Chinese terrorist suspects who had been arrested in the British Concession at Tientsin. The four were delivered to the tender mercies of the Japanese Army although their guilt had not been established.

Why Currencies Are Weakening Throughout the Far East

THE foreign newspapers buried on their financial pages a brief news item which told more about the weakened and weakening currency situation in Far Eastern countries than all of the elaborate reports of finance ministries. The report was dated Tokyo, Feb. 10 and gave the approximate amounts of unsecured paper currency which has been issued by banks within the territories of countries comprising the so-called "Yen Bloc." The figures were issued in reply to inquiries raised in the present session of the Japanese Diet. These note issues, all linked to unsecured yen, increased more than 40% in 1940 over the previous year. In the meantime Japan's gold reserve, according to expert opinion, has dwindled practically to the zero mark.

According to the figures, the largest note issue is that of the Bank of Japan which was stated to be Yen 3,679,037,000. The Bank of Taiwan (Formosa) has notes outstanding to the amount of Yen 171,169,000. The Bank of Chosen (Korea) has Yen 443,987,000 outstanding. The Central Bank of Manchukuo, controlled by the Kwantung branch of the Army and closely linked with Japanese banks, has notes to the value of Yen 623,621,000 outstanding. The Mengkiang Bank in Inner Mongolia, also a Japanese set-up, has issued banknotes to the value of Yen 60,079,000. The so-called Federal Reserve Bank of North China, also controlled by the Army, has issued notes to the amount of Yen 264,159,000. The Hwa Hsing Bank, "baby" of the lot, located in Nanking and supposedly controlled by the puppet Reformed Government, has notes to the value of $5,058,000 outstanding.

The total of all the issues, according to the figures, is Yen 5,200,000,000.

But the Finance Minister in Tokyo, in disclosing these figures, made no mention of the so-called "military yen" notes, which are issued by the Army and forced on the Chinese villages, farms, railways, telegraphs, post office and other organs. These notes cannot be converted into any other currency and are regarded by the Chinese as "hot" money to be passed on to somebody else as quickly as possible. Any Chinese refusing to accept these "hot" notes would be severely punished, or possibly shot.

While there was a serious drop in the gold exchange value of Chinese currency last week, the F. R. B. notes of the Japanese-controlled bank in North China took an even greater slump, to such an extent that $108 was required for $100 in Chinese banknotes.

Norway Caught in Cross-fire of Diplomatic Difficulties Following Rescue of Prisoners from Nazi Vessel

AN illuminating example of the difficulties that must inevitably beset small neutral states which have the misfortune to be situated close to the scene of a conflict between great belligerent Powers, has been afforded during the past week by the case of Norway, which has been caught in a cross-fire of diplomatic difficulties as a result of the boarding of a German vessel in Norwegian territorial waters by a party from a British destroyer.

The incident occurred on Feb. 17 when the Altmark, a German ship which admittedly is a ship of war, was boarded in the Joessing Fjord by orders of the Admiralty and some 300 British merchant sailors released from captivity after an armed encounter between the boarding party and the German crew in which a number of the latter were killed or wounded. The Altmark had been in the Norwegian port of Bergen longer than the 24 hours permitted by international law, and put to sea in an attempt to reach a German port. H.M.S. Cossack, a British destroyer, acting on Admiralty orders, pursued the ship and followed it into the fjord, where a request was made to the Norwegian naval authorities to join in boarding the vessel to ascertain whether she had British prisoners of war on board.

Disturbing Reminiscences

Paris Soir

"Do you remember the good old days when we were enemies?"

When the Norwegians failed to comply with this request, the British Admiralty instructed H.M.S. Cossack to board the German ship unaided. After a brief fight with the German crew, the boarding party found some 300 British merchant sailors imprisoned at the bottom of the ship under conditions which were described as worse, if anything, than those found in German concentration camps. A large number were rescued after the German ship had been beached and it is reported that Britain will demand the handing over of the remainder by Norway.

The British Government has accused Norway of failing to maintain a proper neutral attitude in this instance. Two alleged facts are cited: first, that the Norwegian authorities failed conscientiously to search the German ship at Bergen to ascertain its status; second, that knowing the Altmark to be a warship, the Norwegian authorities permitted her to remain in port at Bergen more than the prescribed 24 hours.

Norway, in an official protest, has charged Britain with a gross violation of Norwegian neutrality by the action of H.M.S. Cossack in entering the territorial waters of Norway. The protest was supplemented by the Norwegian Foreign Minister in a speech before the Storting (parliament) in Oslo on Feb. 16. Said he: "There is no rule in international law prohibiting a belligerent power from convoying prisoners through neutral territory as long as the passage itself is legal. The Altmark was a Reichsdienstschief (German service ship) and had served Germany, accordingly she was to be considered a warship in conformity with international law. Warships are not liable to inspection (in neutral ports)..."

It was to be expected, of course, that Norway should receive a protest from Germany. A note from Berlin delivered in Oslo asserts that not since the British naval bombardment of Copenhagen in 1807 has there occurred such a flagrant violation of the territory of a Scandinavian country at peace. Reserving the right to make further demands, the note insisted on restoration of former conditions aboard the Altmark so far as this may be possible, full reparations for damage caused, and action by the Norwegian Government against the perpetrator of the incident.

As a neutral, Norway has been caught up in a tangle of circum tances not of her own choosing. In permitting the Altmark to remain in Bergen beyond the prescribed 24 hours, Norway was obviously violating her own neutral status. Yet to have done otherwise would have meant courting the displeasure of her powerful German neighbor. She preferred to incur the displeasure of the British, evidently considering that the less risky course. When Britain, in turn, violated her neutrality by sending a warship into her territorial waters to board a German ship, Norway was not prepared either to assist the warship in the act, as had been requested, or to resist. Thus, simultaneously, she incurred the wrath of both Britain and Germany.

What will come of this incident it is difficult for anyone to say. Certainly it may be regarded as a harbinger of many more such incidents to come as the war develops, and it suggests that as time goes on the neutral states will find it more and more difficult to stay neutral, for no belligerent will hesitate under stress to avail itself of facilities and advantages offered by neutral waters and neutral territory where some important advantage is to be gained. In this case, Germany violated Norwegian neutrality with Norway's acquiescence. Britain redressed the balance by herself committing a violation.

The question of American neutrality is in the limelight again and was given an airing in the United States

Western Front Language Difficulty

Weltwoche, Zurich

Two Italian observers visit Germany's "West Wall."

One Italian: "I've been listening to the enemy for three hours."

Other Italian: "What did he say?"

First Italian: "He speaks a different language. I couldn't understand him."

MANNERHEIM LINE CRACKS UNDER WEIGHT OF SOVIET OFFENSIVE

UNDER the furious pounding of the greatest Russian offensive since the Soviet-Finnish war started, Finland's famed Mannerheim Line began to crack toward the end of last week. Finnish troops were compelled to retreat to their second line of defense at several points on the Karelian isthmus, but were able to rally and recapture several lost positions. Field Marshal Mannerheim, commander-in-chief of the Finnish Army, issued a proclamation urging his soldiers to carry on the struggle. New troops and artillery had been ordered to support the secondary defense line, he declared, adding that the holding of the line called for "strong, vigorous measures." The Field Marshal exhorted his troops: "We must stand without faltering. The development of the situation gives us every possibility of victory. Let us be firm. Our people no longer fight alone. Foreign help is arriving and a significant number of new contingents come under our flag daily. The Finnish people are united solidly behind you. We must trust in ourselves and God. You may rest assured that the enemy will never be able to break through my defensive system if, from a formation in depth, we raise new fortified positions to wear down the enemy's offensive power."

An *I.N.S.* dispatch from Washington on Feb. 17 said that the movement to aid Finland gained headway in official circles in the American capital following receipt of intelligence from American military observers to the effect that a second Mannerheim Line exists behind the first. Washington is said to have been informed that Finland is by no means doomed even if the Mannerheim Line is reduced, and that she will be able to continue the war for a long time.

The Swedish Government published a communique last week in which a refusal of Finland's request for military assistance was announced. According to *United Press* from Berlin, Germany had made it clear to the Scandinavian countries that she would strongly oppose any intervention by them in Finland, as that might lead to an extension of the war and affect German trade with Sweden.

A factor which would aid Finland considerably would be Allied military action against Soviet Russia. The London correspondent of the Copenhagen *Faederlandet* cabled his paper on Feb. 15 that Britain and France were said to be contemplating such action in March and that rumors to this effect had become widespread with the arrival of Australian and New Zealand troops in the Near East.

Congress on Feb. 16 when Albert J. Engel, Republican of Michigan, urged the Administration to forbid transportation of war material to Britain and France until such time as those Powers learned to respect the rights of the United States as a neutral. The speaker was referring to Allied detention and censorship of American mails and diversion of American merchant ships into war zones which they are forbidden by the Neutrality Act to enter. Representative Mass declared that the continual searchings of American ships by the British authorities had no other aim than to involve the United States in the war, while British censorship of American mail, he added, was tantamount to commercial espionage. Britain, he said, was greatly interested in reading American bills of lading and obtaining information about American firms and their business connections.

Searching of American ships for contraband, Representative Mass went on to say, would give Germany pretext for sinking them. It was in this way, he contended, that Britain hoped to drag America into the war on the side of the Allies. Senator Key Pittman of the Senate Foreign Relations Committee was quoted by *Transocean* as saying that the danger of American vessels being torpedoed would be diminished if there were no Allied blockade control system. Senator Reynolds, Democrat of North Carolina, declared that American ships were in no danger outside the war zones. If, therefore, American ships were damaged or sunk as a result of being forced to pass through war zones to blockade control ports, Britain would be responsible.

Interesting observations on the subject of neutrality were contained in a German note to the government of Panama on Feb. 15 on the subject of the 300-mile-wide neutrality belt established around the American continent by the Panama conference of the Pan-American Union. The note pointed out that Britain and France had acquired important possessions and bases on and near the American continent and that with respect thereto the Monroe Doctrine made an exception in favor of those two countries, thereby, at the outset, "fundamentally and seriously endangering the success of the zone of security (neutrality belt). The note then went on as follows:

"The discrimination thus made between the positions of Germany and her opponents might perhaps be removed to a certain extent if Great Britain and France would pledge themselves, under guarantee given by the American republics, not to employ the above-mentioned possessions and islands as primary or supporting bases for acts of war. Even if they should do so, the fact remains that not only is a territory of the belligerent states—Canada—contiguous to the above-mentioned zone in the west and the east, but parts of Canadian territory are actually encircled by the zone."

Britain and France, the note continued, showed by their replies to the Panama note on the neutrality zone that they are not prepared to respect that zone. Thus

At Last!

Forward (Jewish daily), N.Y.

St. Peter: "Vell, vhat do you vant here?"

German warships, if they accepted the request of the American republics, would be debarred from the zone, while Allied warships would have full right of entry. The fact that the American republics have made such a request of Germany "presumes such a flagrant breach of neutrality on the part of the governments of the American republics that the German Government can only see in it the intention of the British and French governments to destroy at the outset the idea underlying the zone of security. Although the German Government are fully prepared to consider suggestions and proposals made by the American republics in this matter, they feel certain that the establishment of the proposed zone of security will only be successful if the standpoint of the British and French governments, as recently made public, is fundamentally revised."

In other words, Germany following the example of Britain and France, has declined to recognize the neutrality belt around the American continent. And he would be a curious arguer who refused to see the weightiness of the German reasoning in this matter. As in the case of the Altmark incident, respect for the neutrality of third parties soon cracks under the weight of the war urgencies of the belligerents. The only difference between Norway and the American continent (exluding, of course, Canada) as regards the war is that the Americas will in all probability be able to stay neutral longer than Norway. But the same factors are operating to drag both into the war.

Strong criticism of the Roosevelt Administration on the ground that its policies were leading the United States to war were voiced early this week by Representative George Tinkham of Massachusetts and Senator Gerald P. Nye of North Dakota. Speaking from the floor of the House, Tinkham charged that the 50-year agreement between Britain and America for joint use of the Canton and Enderbury Islands (in the Pacific) for civil aviation purposes amounted to a secret military agreement. Senator Nye told *United Press* that the United States was drifting into war and that the Administration was doing nothing to halt it. "We are walking the same road we did in 1915. It is uncanny how close the parallel is," he asserted, adding that only an early termination of the war would modify the certainty of American involvement.

Britain lost another warship this week when H.M.S. Daring, a 1,375-ton destroyer formerly on the China Station, was torpedoed and sunk. Nine officers and 148 ratings were missing and feared lost, the Admiralty announced on Feb. 19.

Comment on Britain's situation was made by Col. Takashige Nakamura, resident Japanese Army officer in New York, on Feb. 18, *Domei* reported. Col. Nakamura, who had just arrived in New York from a four-month stay in Europe, declared that the British people were fast approaching their "hour of trial." Goods stored in England before the outbreak of the European war, he said, had almost been sold out and hardship lay ahead. He also made the interesting observation that there prevailed both in England and France a desire to halt the war "if only a compromise can be effected," but he doubted whether a face-saving formula could be found. Britain, he added, was the principal protagonist in the present European drama, with France playing only a supporting role.

Figures released in Washington last week showed that exports to Germany from the United States declined to a mere $3,000 in January, 1940 as compared with $6,000,000 in January, 1939. This indication of the effectiveness of the Allied blockade was somewhat offset by the fact that exports from the United States to Sweden increased by $2,000,000 last month as compared with January, 1939, while Holland bought double her previous purchases. The New York *Times* declared that the large increase in exports from the United States to Italy, the Netherlands, Norway, Sweden and Switzerland had given rise to the suspicion that sizeable leaks were occurring in the British blockade.

Britain's army swelled to 1,400,000 at the beginning of this week as 200,000 men between the ages of 20 and 23 registered for military service. They are liable for active duty at short notice.

Harassed Missionaries Unlikely To Respond to Japanese Bid

THERE was no response in American missionary circles in Shanghai this week to alleged offers of cooperation on the part of the Japanese Government. What form the cooperation would take was not stated, but Hajime Hoshi, member of the Seiyukai political party, urged that the Japanese Government should cooperate with American educational institutions in China.

Hachiro Arita, Foreign Minister, also announced that a proposal to extend financial aid to American missionaries in China would be made. Mr. Arita's statement was made in the House of Representatives, following suggestion that the Foreign Office "should recommend an appropriation of Y.10,000,000 to assist American missionaries."

Hajime Hoshi, member of the Diet who made the proposal, said that the Japanese Government "should undertake cultural work in China in cooperation with American missionaries," pointed out that cultural activities sponsored by the Foreign Office in China were mainly concerned with "exalting Oriental philosophy and science." He urged that "practical projects" be undertaken. Mr. Arita in his reply stated that many of Japan's cultural activities were being conducted through the so-called Asia Development Board, an extra-cabinet body which is controlled by the military authorities. Mr. Hoshi said that Japan "should be big enough to cooperate with the American missionaries in building the 'New Order' in Asia." He even suggested the novel idea that Japan might participate in a fund-raising campaign in the United States for mission work in China. Mr. Hoshi thought that cooperation with the missionaries and the supplying of money for missionary work in China "might hasten the coming into effect of the New Order through improving the understanding of the new program on the part of third party nationals."

The German *Transocean* news service, in a dispatch from Tokyo on Feb. 17, suggested that the Japanese purpose was to cooperate in propaganda for the raising of funds in the United States for mission work in China. The German report stated that the cooperation of American missionaries was necessary "in the solution of a number of urgent problems, for the adjustment of which American missionaries were particularly suited."

The statement was made in the Diet shortly after the Foreign Minister had disclosed that a large percentage of American claims for property losses due to the activities of Japanese bombers, concerned damages to msision schools, churches and hospitals. Mr. Arita also reported that several missionaries had been killed by Japanese bombs.

In some circles in Shanghai it was suspected that the Japanese offer to "cooperate" with the American missionaries and even extend them a "grant" of Y.10,000,000, was for the purpose of heading off more energetic American pressure upon the Tokyo Foreign Office for payment of damages to mission property caused by Japanese Army and Navy bombers. There has been no statement about the total amount of these claims, but the total, obviously, would greatly exceed the sum of Y.10,000,000 which Mr. Arita suggested might be "donated" to the missionaries. It is obvious that the sum mentioned by Mr. Arita, at the present depreciated value of the yen, would not go far in satisfying the claims for buildings destroyed by Japanese airbombs.

The discussion in the Diet about extending financial assistance to American missionaries in China, probably will be regarded by most missionaries as a form of bribery and an admission that other methods of attempted control of American mission establishments in this country had failed. Several months ago the Japanese Government issued regulations which were designed for the purpose of obtaining control of Christian missionary work in China. Japanese Christians were sent to China, with instructions to establish contact with American and other foreign missionaries. In some cases the Japanese Christians set up so-called "central offices" and tried to

induce the foreign missionaries to work through these offices in their dealings with Chinese Christians. In one case the Japanese announced to the missionaries that all literature and communications between the missionaries and their Chinese converts "must pass through the Japanese central office."

In most cases the Japanese "central offices" were ignored because the Japanese Christians, regardless of their sincerity, were so ignorant of Christian mission work in China that their efforts appeared ludicrous in the eyes of the Chinese Christians. The Chinese also doubted the sincerity of the sudden Japanese interest in Christian activity in China, following along in the wake of the Japanese army and bombers, and particularly in view of the racketeering activities of the Japanese Army.

Another reason for skepticism in Sino-foreign Christian circles regarding the objectives behind the Japanese offer of cooperation, was based on anti-Christian activities of the Japanese military authorities in Korea and Manchuria. In both places all independent Christian work, whether educational or devotional, practically has been suppressed. In Manchuria it is practically impossible to conduct Christian meetings due to the presence of military spies who attend meetings for the alleged purpose of looking for "communists," or anyone who might harbor ill-will toward the conquerors.

Yakichiro Suma, spokesman of the Foreign Office, who previously was Counsellor of Embassy in Washington, announced to the press upon his return to Tokyo several months ago that a chief cause of anti-Japanese sentiment in the United States was the presence of missionaries "who had lost their jobs in China as a result of the war."

Japanese efforts to suppress or control Christian mission work in China has extended over many years, the first and most ambitious attempt being in connection with the presentation of the notorious "Twenty-One Demands" in 1915, one section of which was concerned with the establishment of so-called Japanese "missions" throughout the country. After the Washington Conference in 1922, the Japanese Foreign Office sent a number of Christian emissaries to China, who worked with foreign missionary groups. But when the hostilities broke out in 1931-1932 and again in 1937, most of the emissaries donned military uniforms, thus disclosing their real status.

Young, After 30 Days' Detention, May Be Tried Shortly

JAMES Russell Young, correspondent in the Far East for Hearst's *International News Service*, who was arrested in his office and residence at the Imperial Hotel in Tokyo on Jan. 21, may shortly be brought to trial, according to *United Press* message from Tokyo on Tuesday of this week. Since his arrest and detention without trial in a cell of the Marunouchi police station—where large numbers of political prisoners have been incarcerated—Mr. Young has been repeatedly quizzed by police and gendarmes in an effort, apparently, to obtain sufficient evidence to convict him of violating Articles 99, 2 and 3 of the Army Criminal Code.

According to the *United Press* message, Mr. Young was transferred on Feb. 20 to the Procurator's Office of the Tokyo District Court. Whether he now will be permitted to consult with Japanese attorneys selected to defend him, was not stated. Up to the present he has been held practically incommunicado and has not been permitted even to see his wife or to communicate with her directly by writing.

When Mr. Young was arrested it was announced that the chief charge against him was based on "38 slanderous articles" referring to the activities of Japanese soldiers in China, which Mr. Young had written while on a trip of several weeks through China, including territory of the National Government as well areas occupied by the Japanese Army. Mr. Young's arrest for alleged offences committed outside Japan created an international sensation due to the Japanese contention that writers, lecturers, radio broadcasters, or anyone anywhere who may have made statements displeasing to the Japanese Army, may be arrested should they ever enter Japan or Japanese-occupied territory in China.

The Japanese police also charged that Mr. Young had disseminated, to Japanese and foreigners, at the Imperial Hotel, many slanderous stories and rumors about the Japanese armed forces in China. This charge apparently referred to addresses which Mr. Young had delivered to groups of Japanese businessmen, including the Tokyo Rotary Club, dealing with conditions in China. On each occasion Japanese businessmen had asked numerous questions about conditions in China, thus indicating that they had not been informed regarding the correct situation by the officially-controlled newspapers and press associations, or by official reports issued by the Foreign, War and Navy offices. One report which aroused special indignation of the military authorities was Mr. Young's message about Japanese military prisoners in China. The Army had reported that no Japanese prisoners were being held in China. Mr. Young produced pictures of such prisoners and one picture showed him receiving messages from Japanese war prisoners in Chungking to be delivered to relatives in Japan.

The Japanese report referring to 38 messages which Mr. Young had dispatched to newspapers in America and elsewhere, while on his trip through China, apparently was based upon that number of carbon copies of news messages which the police seized when they searched and looted Mr. and Mrs. Young's apartment at the Imperial Hotel. They carried away several large basketsfull of printed material, much of it consisting of proofs and matrices of King Feature Service, of which Mr. Young was also representative in the Far East.

Although not mentioned in any of the reports, it has been rumored that a chief Japanese object is to prevent *International News Service* from distributing its messages in Japan. Since the Hearst reports have been distributed independently of the official *Domei* service, this has long worried the Japanese military authorities. Evidence of this Japanese objective was provided when the Japanese police summoned several of the executives of Japanese newspapers receiving the Hearst reports to the Marunouchi police station for questioning.

The Japanese had previously arrested and detained, for practically two months, an American missionary, the Rev. Luther Tucker of the Episcopal Church, on a charge of distributing "seditious literature." The Rev. Mr. Tucker was in Japan attending conferences with Japanese university students on behalf of an American Christian student organization of which he was international secretary. The specific charge against the American missionary was that he had mailed to a friend in Tokyo, also an American missionary, a Japanese translation of a book written by a British newspaperman describing the activities of the Japanese Army in Nanking. Japanese military censors, who were watching the mail of the American missionary in Tokyo, to whom Mr. Tucker had mailed the book, were responsible for his arrest. After being detained, without trial for two months, Mr. Tucker was charged, convicted and sentenced to four months in jail, but was released on condition that he leave the country.

According to confidential reports received in Shanghai this week, Mr. Young has become ill because of privations suffered as a result of his detention. The Japanese refused to permit him to have sufficient clothing, even though the jail is entirely unheated — due to the coal shortage in the country. They also refused to permit him to have a mattress and he was compelled to sleep on the cold concrete floor, resulting in his developing swollen and inflamed joints and an infected ear. He also was not permitted to have a bath and was denied any towels, except small washrags, the reason allegedly being the fear of his jailors that he might commit suicide. The same reason prompted the Japanese to refuse to permit him to have other articles of clothing such as suspenders and long socks.

Mrs. Young, whose home is at Mansfield, Ohio, has not been permitted to communicate with her husband, except indirectly through the police, and has been under constant surveillance by five policemen stationed in the hotel, since her husband's arrest. Mr. Young's home is at Springfield, Illinois. He has resided in Japan for about twelve years, for ten of which he was business manager of the *Japan Advertiser*, American newspaper in Tokyo, in addition to his correspondence work.

Of special interest in Shanghai, in connection with Jimmie Young's arrest, was the fact that he wrote articles exposing the connection of the Special Service Section (SSS) of the Japanese Army with the Shanghai gambling and opium smoking joints in the so-called "Badlands" section. At least one article on this subject, which he wrote while here, was published in a leading Tokyo daily. Whether this may have caused the Japanese military authorities to order the closure of the gambling and opium joints is not known. The Japanese Army's official spokesman here admitted that the Special Service Section had jurisdiction over the joints in a statement to foreign correspondents recently.

Resources of Kweichow Being Rapidly Developed

BY C. C. CHANG (張嘉錡)

AN interesting experiment in public administration is being now carried out in Kweichow under the guidance of Dr. Wu Ting-chang, Provincial Chairman and former Minister of Industry in the National Government. The basic principle of the experiment is to provide as much opportunity as possible to public initiative in the economic reconstruction of China's poorest and most backward province. Relations between the State and private initiative are brought into harmonious concord without that bureaucratic red-tape and inclination to dictate which is generally associated with all administrations. Here the administration lays down only guiding principles, provides the initial capital for projects, and leaves the rest to be done by public bodies specially created for carrying out these projects. The State and private initiative work in Kweichow hand-in-hand, without that superiority complex on the part of officials which has been part and parcel of all administrations and not necessarily of China alone. The beneficial effect of the working of this system, since it has become a guiding principle of the Kweichow administration in 1937, is already apparent.

The province is the most sparsely-populated and one of the less-known areas of China. It lies to the south of Szechwan, is contiguous to Yunnan in the west and Kwangsi in the south, and occupies a high and rugged plateau on the watershed of the Yangtsze and the Pearl Rivers. This makes it one of the most desolate and poorest provinces of China. It has a population of 10,000,000, tilling about 30 million mow out of 53 million mow of arable land.

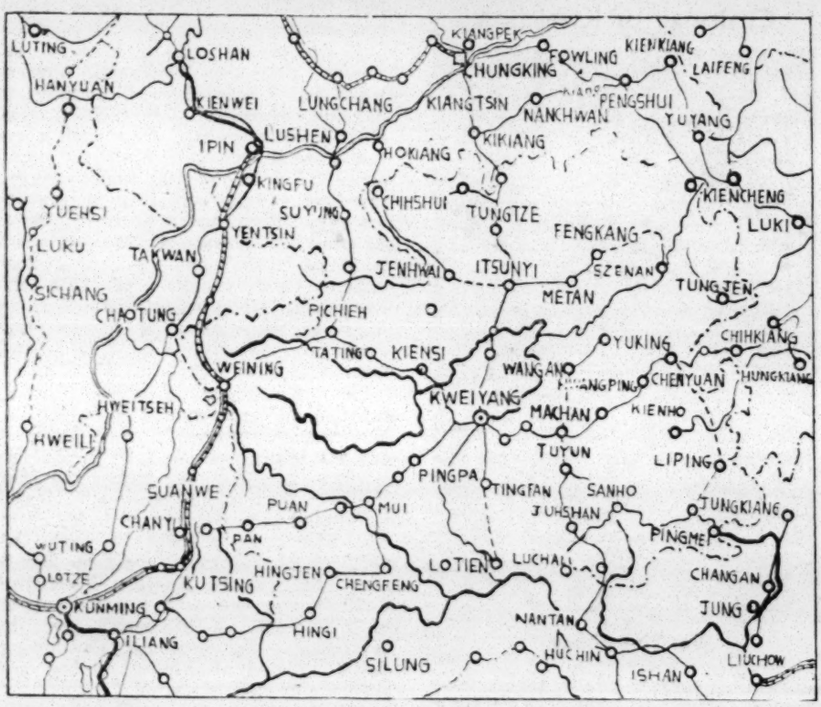
To modernize this stretch of country with its exceptionally backward people is a tremendous task. Yet this job was undertaken in the most thorough and scientific way in 1937, soon after the outbreak of the Sino-Japanese war, when the nation began to look to the west as the last line of defense in the struggle for salvation.

In April, 1938 the provincial administration initiated a scientific body known as the Kweichow Agricultural Improvement Institute. Most of what has been achieved in the field of rural economy in recent times must be attributed to its activities. In every hsien it has an experimental station, carrying out research into the best types of seeds suited for the district and despite limitations of time the scheme has proved to be a success. In cotton production alone, the Institute has been responsible for an increase of output by 30,000 piculs and the area sown to this crop by 13,000 mow. It should be noted that Kweichow had always been importing its cotton, cotton yarn and cloth from Shanghai via Indo-China or the Yangtsze.

From time immemorial, Kweichow has been producing a type of silk known as "giant" and before the war this industry was almost on the verge of extinction due to a peculiar disease afflicting the silk worms. The scientists of the Agricultuural Institute determined, after some exacting study, the virus of the disease and the way of combatting it. Farmers were inititated in this method and now it is considered that the industry has been saved.

A similar job has been carried out in respect to wheat, tea, tobacco, gallnuts and honey, all of which were raised by the people of Kweichow much in the same way as their ancestors did in ages past.

Kweichow Province



However, the progress achieved in recent times in Kweichow lies not alone in crop improvement but also in other directions. Dormant forces hidden in the population have been called forth and utilized in the most practical way. The magic stick to tap these forces was the creation of rural cooperative societies, now established in practically every village of note. Farmers have been called to help themselves; they were taught how to do it; and now millions of them are associated in the common job of modernizing this most backward and poverty-stricken province of China.

Kweichow has 81 hsiens, of which 69 have well-established cooperative societies, each capitalized at $100,000. Their principal job is to extend financial aid to needy farmers. To start the movement, the Provincial Treasury appropriated a special fund for loans to these societies and in this it had the cooperation of the Agricultural Credit Administration, the Bank of China and the Farmers Bank of China. By the end of October, 1939 there were 6,490 cooperative societies in Kweichow, to which the Provincial Treasury and the banks had advanced about $6,000,000. Out of this, $5,000,000 have already been paid back.

There are two other organizations working in the same direction—the Farm Production Loan Committee and the Farm Irrigation Loan Committee—in both of which the Agricultural Credit Administration, headed by Dr. Franklin Ho, takes a very active part. The first committee promotes land reclamation and cattle-breeding, whilst the latter promotes irrigation, sorely-needed in Kweichow.

Last year in July, financial and business circles of Kweichow were invited to participate in a semi-governmental corporation designed to carry out the industrial development of the province. This is the Kweichow Development Corporation, capitalized at $6,000,000, out of which $3,500,000 were subscribed by mercantile circles. In this corporation, the administration has the least possible voice and leaves the job to be run by businessmen. All projects having anything to do with starting new industries or modernizing old ones are carried out by this organization, whilst purely administrative matters are left to the Provincial Departments of Reconstruction and Finance.

The guiding principle lying behind this measure appears to have been that, if modernization of the province were to be carried out through bureaucratic machinery, it would make a mess of it. One of the ills of the Chinese administration from time immemorial has been that every change of a responsible official usually brings about the reorganization of his entire administrative apparatus, not only in respect to personnel but at times of functions as well, so that there has rarely been

a perpertuation of initiated measures. In respect to the experiment being now carried out in Kweichow, where the public has been taken into cooperation to a very great extent, it is admitted that the plans already initiated will not be discarded with a change of administrators but carried on along the lines outlined by their originators.

Industries are cropping up in Kweichow one by one. In this respect, mention should be made of the following;—

(1) The Kweiyang Electric Works, the capital of which has recently been raised to $1,000,000 in cooperation with the National Resources Commission. The direct current plant has been replaced by a 160-kilowatt

Chairman of Kweichow

Wu Ting-chang

alternating current plant, which now supplies power and light to Kweiyang and its environs.

(2) The Kweichow Silk Weaving Corporation, established at Tsingyi, a hsien town less than 100 kilometers from Kweiyang and on the highway linking it with Chungking. Raw material is supplied by "giant" silk worms.

(3) The Kweichow Oil Mill, which turns out lubricating oils and substitutes for gasoline.

(4) Da Hing Flour Mill, working on wheat produced within the province and which is gradually replacing opium in the wheat-producing areas.

(5) The Kweichow Printing Works, capitalized at $200,000 and now serving as the principal agent for spreading education in this backward province.

(6) The Kweichow Oil Products Manufacturing Company, manufacturing printing ink, paints, varnishes, oil-cloth, etc., and established in Kweiyang with the cooperation of the China Vegetable Oil Corporation.

(7) The Kweichow Glass Manufacturing Company, established recently and machines for which are now on the way. The province produces materials for glass manufacture and this company will turn out household, hospital and laboratory articles and appliances. The three largest medical units in China, the Central Hospital, the Central Medical Institute (formerly in Nanking) and the Hunan Yale-in-China Hospital, are all quartered in Kweiyang and they cooperate most actively in the operation of the glass works.

These are the most important enterprises brought to life during the past two years. Besides, there are a machine-making factory, a chemical works, several cotton-weaving mills, paper and lumber mills, and plants making matches, pottery, cement, sugar and leather. Mention should also be made of the Kweiyang Building Construction Co. and the Kweiyang China Native Products Co., both of which are doing good business in spite of frequent aerial alarms and bombings.

Kweichow is rich in mineral resources and the Provincial Government has been doing all possible to develop them. Mining methods are still antiquated and even with them the annual production of antimony amounts to about 400 tons, ranking third in China, whilst in respect to mercury the province ranks first. Absence of adequate transportation facilities renders modern mining most difficult and because of this the Provincial Government has decided to mine what is most urgent and practical, namely, coal, gold and mercury.

The Kweichow Mining Bureau, established in cooperation with the National Resources Bureau, carries out the mining of mercury in eastern Kweichow. Gold is mined by the Fantsingshan Gold Mining Co. and its annual output is stated to be about 600 liang. In respect to coal, the only modern mining concern worth mentioning is the Eastern Kweiyang Coal Mining Co. with a daily output of 200 tons, all of which goes to Kweiyang. Schemes for developing antimony and aluminum mining are now under consideration.

All these schemes relating to the development of agricultural, mining and industrial resources of the province are thrashed out at regular sessions of a special committee headed by Dr. Y. T. Tsur, formerly president of Tsin Hwa University, Peiping. The committee is known as the Agricultural, Mining, Manufacturing and Commercial Readjustment Committee and its principal task is to assist small investors and rural enterprises. For the purpose of assisting farmers in their sales and purchases, the Committee has a special bureau, working in direct unison with farmers' cooperative societies.

Much headway has been made in respect to the development of communications, too. Kweichow is a mountainous country and not all its streams are navigable. The province has now over 2,300 kilometers of motor roads. Nine more roads are now under construction and these would add another 1,370 kilometers. Trucks, pack animals and human carriers are also doing their part. Improved horse-carts, using renovated automobile tires, are being increasingly put to service in the absence of better means of transportation.

Chungking, February 10, 1940

Bombing of Yunnan Railway to Continue

Japan has officially informed the French Government that Japanese naval air forces have no intention of suspending attacks on the Yunnan Railway unless the transportation of arms for Chungking over this supply route is discontinued, a naval spokesman in Tokyo stated on Feb. 15, according to a *Domei* report. The attacks, France was informed, were being conducted as a matter of strategical necessity.

The French Government had previously given assurances to Japan that the railway, which is French-owned, was not being used to convey arms and munitions to the Chungking Government, and lodged protests in Tokyo when Japanese aircraft, despite this assurance, bombed the tracks and bridges and also one of the trains. By notifying the French Government that bombing of the line will be continued as a matter of strategic necessity, Japan has in effect stigmatized the French assurance as false.

Japanese aircraft bombed the line again on Feb. 16 and caused considerable damage to the tracks at Chihtsun, 75 miles inside the Yunnan border, southeast of Mengtze, according to Chinese reports from Kunming quoted in a *Domei* dispatch from Hongkong. This was the fifth such raid since the beginning of February. A sixth raid took place the following day, in the vicinity of Kaiyuan, south of Kunming. Chinese pursuit planes engaged the raiders after the bombing, but the results of the aerial battle were not reported.

Retaliatory Action Seen

An act of retaliation against Japan for the bombing of the line was seen in a *Domei* report from Tokyo on Feb. 17 which stated that the authorities of French Indo-China were blocking plans for the inauguration of a Tokyo-Bangkok airline by witholding authorization from the Japan Airways Company to use the airfield at Hanoi.

Agreement for the establishment of the airline was reached between the Japanese and Thai governments on Nov. 30 last and traffic was to have commenced early in February between Tokyo and Bangkok, with overnight stopovers having been arranged for at Hanoi. But according to the *Domei* report, the French Indo-China authorities have brought up the bombings of the Yunnan Railway and are witholding permission to use the Hanoi airport.

The Hongkong correspondent of the *North-China Daily News* reported on Feb. 6 that every ship leaving the British colony for Haiphong, French Indo-China (whence a rail line runs to Hanoi to connect with the railway into Yunnan Province) is heavily laden with goods consigned to Kunming, Kweiyang and Chungking. Goods were piling up at Haiphong, the correspondent said, although the railway was moving goods into China at the rate of 500 tons a day. It was expected to improve the facilities shortly, he added, and to move 700 tons a day.

Wang's Puppet Government to Be Subject to Nippon Tutelage, Governor of Asia Board Declares

DESPITE the drum-beating in Nanking, heralding the impending inauguration of the puppet Wang Ching-wei regime, cold water seems to have been deliberately thrown on the project by an official statement made in Tokyo which in effect means that Japan intends to place the new regime under her complete domination. Authority for this intention was none other than Lt.-Gen. Seisuke Yanagawa, governor of the powerful Asia Development Board, Japan's supreme organ for dealing with China affairs.

In view of the fact that the Yanagawa statement was made at a time when feverish preparations are going in Nanking to install Wang as the head of the proposed China regime, it is of considerable significance because it shows that Japan wants to make it known to the world in advance that when and if the Wang government is established, it will be no more than a servile institution created for the specific purpose of carrying out Japanese orders in China.

Japanese Tutelage

Lt.-Gen. Yanagawa declared that Japanese military authorities in China would exercise tutelage over the proposed China government in political, economic and military affairs. This statement, even stripped of its implications, should be degrading enough to anyone who expected to establish a decent opposition to Chungking. Previously, Japanese politicians used such words as co-operation and assistance when referring to the Wang regime. The choice of the word "tutelage" by Lt.-Gen. Yanagawa now stamps the Wang regime with so obvious a puppet character that it will be futile for Wang and his cohorts to try to whitewash it.

Lt.-Gen. Yanagawa's remark is not only revealing of what Japan expects the Wang regime to do, but also of possible fresh Japanese intrigues designed to sow seeds of dissension in Chungking. Answering an interpellation before a meeting of the Diet Budgetary Sub-committee, Lt.-Gen. Yanagawa made the surprising remark that cooperation between Chungking and the new planned regime was "not impossible," adding that Japan was making efforts at present to induce Chungking to cooperate with Wang Ching-wei. He refused to give any details of the Japanese efforts in that direction.

How the War Will End

Amplifying his statement, Lt.-Gen. Yanagawa said that the Sino-Japanese hostilities would be considered ended when Chungking proposes peace to Japan or dissolves itself to join or cooperate with the new central regime, so that it would become unnecessary for Japan to station large army and navy forces in China. He expressed the firm belief that the day will come when the present China incident will end in this manner.

While admitting that Japan had previously announced that she would not deal with Gen. Chiang Kai-shek, Lt.-Gen. Yanagawa said that it was a question of interpretation of the phrase "not deal." In other words, Japan is willing to reverse her policy and discuss peace with Gen. Chiang if the latter consents to do so. Meanwhile, Japan is trying to make the best use of puppet Wang Ching-wei in the hope, that he may eventually be taken into the fold of Chungking. Whatever fresh intrigues that Japanese may have in mind, as indicated in Lt.-Gen. Yanagawa's revelations, they show unmistakably Japan's keen anxiety to end her futile adventure in China in spite of her apparently spectacular military successes.

That Lt.-Gen. Yanagawa's remarks in the Diet caused considerable embarrassment to the Japanese Government was indicated in a statement issued by the Foreign Office spokesman who stated that Japan's policy of refusing to deal with the Chungking Government of Gen. Chiang Kai-shek "still stands." The spokesman was at pains to explain that what Lt.-Gen. Yanagawa meant was that fusion of the Chungking Government with the projected new China regime would be regarded as the termination of the China incident, but when such fusion would take place he could not predict.

Apparently not satisfied with military supervision of the proposed Wang regime, Tokyo is considering sending two high officials to China to watch Wang politically. Prince Ayamaru Konoye, president of the Privy Council and former Japanese premier, is prominently mentioned in Tokyo political circles as the candidate for the post of first Japanese Ambassador to the projected Wang government. Prince Konoye, author of the so-called "Konoye statement" of Dec. 22, 1938, it is thought, would be the most suitable person to direct Wang in the execution of the conditions laid down in that statement.

Yonai to Visit China?

Meanwhile, Premier Admiral Yonai was reportedly being urged by both political and military quarters to visit China to witness the inauguration of the Wang regime. A visit by the Premier, these quarters said, would emphasize Japan's firm determination to extend assistance to the new regime in China. The Army, it was said, also desired that the Premier inspect the war fronts in China, presumably for the purpose of bolstering up the waning morale of the wearied Japanese divisions who have been fighting for nearly three years for the creation of a "New Order" in East Asia which Japanese politicians like Takao Saito up to now do not understand.

At a secret session of both Houses of the Diet last week, the Japanese Government revealed the terms for the adjustment of Sino-Japanese relations agreed upon between Japan and Wang Ching-wei. The Lower House, it was reported, intended to interpellate the Government on the subject at another secret session shortly.

Puppets Make Ready

If reports from Japanese and "Orthodox" Kuomintang resources do not belie facts as they have often done in the past, the curtain of the Nanking puppet show, with Wang Ching-wei playing the leading role, is likely to be lifted soon. *Domei* reported from Tokyo that Nanking

Medical Unit in Free China

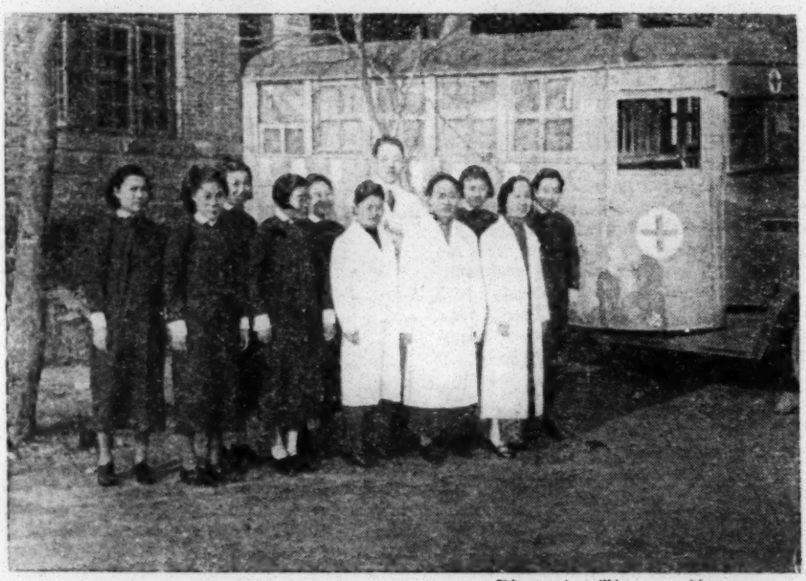


Photo by Thomas Kwang

Picture shows the fifth medical unit in Free China, which arrived recently in Chungking. The doctors are clad in white and the nurses in dark gowns. The Red Cross truck in the back-ground was donated by an overseas organization.

was agog with preparations for the establishment of the Wang regime, whose "inauguration" was described as "imminent." Chu Min-yi, brother-in-law of Wang and secretary-general of the "Orthodox" Kuomintang, is in charge of the preparations, assisted by several officials of the existing Nanking regime. According to *Domei*, Chu was expected to complete his arrangements in a few days, but what these arrangements were was not stated. Probably they referred to plans for taking over some of the former government buildings for the planned new regime, now occupied by the Japanese and the "reformed" puppets, for Chu before returning to Shanghai on Monday of this week presided at a three-day session of the so-called Capital Site Committe, which reportedly decided on the selection and distribution of government offices.

Meanwhile, Wang Ching-wei was doing his best to hobnob with Japanese army leaders in Shanghai in an attempt to curry favor with them. In the middle of last week, Wang paid his respects to Gen. Toshizo Nishio, commander-in-chief of the Japanese Forces in China, when the latter visited Shanghai on an inspection tour. Wang was entertained by Gen. Nisho, who praised his efforts to create a new central regime in Nanking, stating that a spiritual unity between the Japanese and Chinese based on mutual trust was imperative for the adjustment of Sino-Japanese relations.

In reply, according to *Domei*, Wang said that he and his colleagues were making every effort to establish a central government of China "along the line of the spirit pointed out by Gen. Nishio." Wang added that he was determined to "go through fire and water to realize his task."

Prior to seeing Gen. Nishio, Wang played host to Lt.-Gen. Susumu Fujita, commander of the Japanese forces in the Shanghai area, and other Japanese officers, with whom he had conversations on the present political situation and his plans for expediting the establishment of his puppet government.

Puppet Commits Suicide

Bitter remorse for participating in Wang Ching-wei's peace movement claimed the life of Wang Kai-chiang formerly an official in the Ministry of Justice in Chungking, who, according to a Hongkong report, committed suicide by jumping into the sea from the Dutch liner, *Tjit alengka*, while en route from Shanghai to Hongkong. The report stated that Wang Kai-chiang left a note saying that he was taking his own life "to vindicate myself" for joining Wang Ching-wei's central executive committee. Wang Kai-chiang fled from Shanghai on Feb. 8 with his two sons after having been under the surveillance of Wang's agents for some time.

In spite of the Italian Foreign Minister's congratulatory message to Wang Ching-wei wishing him success in his plans for the establihment of a new regime, the Vatican apparently thinks little of Wang and of what he can do. The *Observatore Romano*, organ of the Vatican, frankly remarked that the Wang-Japanese accord had failed to break down Chinese resistance to Japan. The treaty, while it aimed at undermining Gen. Chiang Kai-shek's policy, had not obtained and was not obtaining the effect of disarming Chinese resistance, the journal asserted.

New Movement Started

What may be described as a subsidiary movement to Wang Ching-wei's peace campaign was launched in Shanghai on Friday of last week when a group of disgruntled politicians announced at a reception held in the Astor House in Hongkew that they were starting a "Movement for Asiatic Regeneration and National Reconstruction." Sponsors of the new movement included Chen Fu-mo, a forcer vice-minister of communications who lost office because he was involved in the scandal of the China Realty Company's loan to the China Merchants Steamship Company several years ago; Chang Tzu-ping, a Japanese-trained novelist specializing in love stories; and Yen Chung-kuang, whose antecedents are little known. The group, after announcing the new movement, sent a letter to Wang Ching-wei pledging support to his peace and national salvation campaign. Judging from a booklet prepared by Yen Chun-kuang, the object of the new movement is simply to supplement Japan's efforts at creating a "New Order" in East Asia. Among the slogans adopted by Yen and his associates are the unity of China and Japan, anti-Communism, overthrow of western imperialism, creation of a New China and a New Order in East Asia.

Mongolian Prince

Photo by Thomas Kwang

Prince Kang-Ta-Tu-Erh-Chi of the Talatat Banner in Mongolia arrived recently in Chungking to attend the Sixth Class of the Central Training Institute. Meeting Gen. Chiang Kai-shek, he pledged solidarity with China's cause on behalf of his fellow-countrymen.

Casualties in China

Because of the scrupulous care taken by the Japanese military authorities to guard the number of Japanese casualties suffered in the China war, the following statistics on Japanese and Chinese casualties up to Jan. 1, 1940 as cited in a correspondence to the *North-China Daily News* on Feb. 16 from a pamphlet entitled "China's Fate and America's Future," by Julean Arnold, is of special interest:

Japanese troops landed in China to date	1,300,000
Japanese casualties	600,000
Japanese killed	250,000
Chinese Government troops in the field	3,500,000
Chinese troops casualties	1,500,000
Chinese troops killed	600,000

Set out in a different manner, we get the following results:

	Japanese per cent.	Chinese per cent.
Percentage of casualties to total troops in field:	46	43
Percentage of killed to total troops in the field:	19	17

Hitherto (thanks to the facility with which Japan has been able to obtain war materials from abroad, chiefly the United States), the correspondent said, the Japanese Army has enjoyed an immense superiority in equipment over the Chinese forces, yet the Japanese have, on a percentage basis, suffered the larger losses.

Johnson in Hongkong

The presence of the American Ambassador, Nelson T. Johnson, and Madame Chiang Kai-shek in Hongkong was made a subject of speculation by Japanese sources. Ambassador Johnson stayed in Hongkong for five days and left for Haiphong on Feb. 15 en route to Chungking. Madame Chiang, who arrived at Hongkong early last week, was alleged to have gone there to confer with Mr. Johnson on the new American loan to China and to negotiate for a large order of airplanes from America. Another alleged mission of Madame Chiang was said to be to transmit to T. V. Soong a confidential order from Gen. Chiang. According to Chinese reports, Madame Chiang was visiting Hongkong for no more mysterious purpose than to cure her sinus trouble.

Mystery cloaked the present whereabouts of David Kung, eldest son of Dr. H. H. Kung, stated a *Domei* report from New York. David Kung was alleged to have been asked to leave Hongkong by the British authorities after a raid on an unauthorized radio receiving and sending station in the Colony. He was first reported to have gone to Manila and later to America, incognito.

Chinese Banker's Plan

Another speculative story circulated by *Domei* was to the effect that the so-called "emigre" Chinese bankers in Hongkong were planning the creation of a "buffer zone" in the Sino-Japanese hostilities, in the still unaffected portions of Chekiang and Kiangsu. The object of the creation of such a buffer zone was to safeguard the security for loans in the form of mortgages on property in those two provinces which these "emigre" bankers held. Another aim was said

to be acquisition of facilities for the transportation of imports and exports through those areas.

The *China News Agency*, organ of Wang Ching-wei, was responsible for a number of items regarding an alleged plan of Gen. Lung Yun for establishing a demilitarized zone in Yunnan province and the reported return of K. P. Chen to Hongkong from America. According to the Agency, Gen. Lung has requested Gen. Chiang Kai-shek to withdraw all government troops from Yunnan in order to make it a demilitarized zone in consequence of the repeated Japanese air raids over the province. A similar proposal was said to have been submitted by Gen. Lung to the French authorities in Indo-China. Regarding the attitude of Gen. Chiang towards the alleged proposal, the *China News Agency* contradicted itself by stating, on the one hand, that Gen. Chiang had firmly rejected it, and on the other that the proposal was originated by Gen. Chiang himself with a view to sounding out the Japanese reaction towards it.

Enthroned

Dalai Lama 14th

K. P. Chen Said Due

K. P. Chen, Chungking's special financial envoy to the United States, was said due in Hongkong on the American liner, *President Roosevelt*. Mr. Chen was alleged to be carrying with him important documents from Washington regarding the American loan to China. After his arrival, it was further alleged, he would sum[illegible]on a currency conference to be held in Hongkong.

Tibet was busy with preparations for the enthronement of the six-year-old Chinghai boy, La-Mu-Teng-Chu, as the 14th Dalai Lama, which was scheduled to take place on Thursday of this week. To join in the celebration of the event, the Szechwan Provincial Government instructed the district governments throughout the province to hoist the national and party flags over all public buildings on the occasion.

Besides delegating Gen. Wu Chung-hsin, chairman of the Mongolian and Tibetan Affairs Commission, to Lhassa to officiate at the enthronement ceremony, the National Government appropriated $400,000 as its share of the expenses.

Both official and public circles in Chungking attached considerable importance to the installation of the new Dalai Lama. It was generally believed that with the Chinese Government taking such great interest in the event, cordial relations between Tibet and China Proper would be cemented. As an expression of their appreciation of the Government's interest in Tibet, more than 30,000 Lamas last week held a a mass prayer meeting at the Tachao-shih Monastery in Lhassa to pray for the success of China's war of resistance against Japanese agression.

As a further token of friendly relations between Lhassa and Chungking, the National Government announced its decision to confer the honorific title of Hu-Kuo Pu-Hua Chan-Shih (the Wise Priest who Guards the Nation and Spreads Culture) and the Order of the Brilliant Jade of the Second Class on Jih-Cheng Hutuketu, acting ruler of Tibet. The honors were conferred on him by Gen. Wu Chung-hsin on Feb. 15 at Lhassa.

In a lengthy editorial on the inauguration of the new Dalai Lama, the *Shun Pao* remarked that the event would be a new landmark in the relations between Tibet and China Proper. The article reviewed in detail Sino-Tibetan relations during the past few decades and lauded the government's efforts at improving them.

New Government Organs

The establishment of three new subordinate organs to the Executive Yuan is being planned in Chungking, namely, Water Conservancy Board, Land Reclamation Bureau and Health Bureau. It has been tentatively decided that they will be headed by Kung Hsiang-yung, Gen. Chu Ching-lan and Dr. Robert Lin, respectively.

Complying with an order of the Ministry of Economic Affairs designed to prevent the penetration of Japanese goods into the interior disguised as Chinese products, the Shanghai Chinese Chamber of Commerce announced that, commencing on Feb. 16, all Chinese goods manufactured in Shanghai must be certified as such by the Chamber before they may be transported to interior provinces for sale.

75% of Americans Favor an Embargo

A halt to the shipment of American war materials to Japan was favored by 75 per cent of the voters in the latest poll taken by the American Institute of Public Opinion, *Reuter* reported from New York on Feb. 14.

Despite this attitude, however, the United States Congress has reportedly deferred consideration of the Pittman embargo resolution against Japan. By so acting, the Tokyo *Hochi Shimbun* commented on Feb. 16, Congress barely prevented a critical break in Japanese-American relations.

In a radio broadcast to the United States the previous day, *Havas* reported from Tokyo, Mr. Noboru Otani, president of the Nippon Yusen Kaisha (largest of Japan's steamship companies), appealed to America to be "reasonable" in her policies toward Japan. He denied that Japan is on the verge of economic collapse or that an American embargo would precipitate it, and warned against an attitude of unrestrained emotionalism "which seems to sway American public opinion at times." The Japanese people, he went on to declare, unanimously believe in the righteousness of their cause and it therefore seems to them "irrational" and "unjust" that any nation should seek to subject them to economic pressure in order to bring about a change of Japanese policy.

Japan Awaits U. S. Move

Relations between the United States and Japan will in future depend entirely upon America's attitude, a spokesman of the Tokyo Foreign Office declared Feb. 19, according to a *Domei* report. Japan, the spokesman said, had done everything possible to ameliorate the situation by making the last definite gesture of friendship, but the United States had not reciprocated. Japan was now awaiting the next move from the United States, the spokesman said.

The number of American protests to Japan since the start of the China war was called into question by Japan's Foreign Minister, Mr. Hachiro Arita, in the Lower House of the Diet on Feb. 14. Against the American figure of 600-odd, Mr. Arita said that up to Jan. 31 Japan had received something over 200 protests. The figure of 600-odd, he said, was "exaggerated at any rate" and included a large number of minor incidents which had been settled on the spot. American protests, he revealed, covered aerial bombing of 149 American properties, deaths of two American nationals, injuries to three American nationals, 73 cases of damage arising from occupation, destruction and temporary use of American properties by Japanese troops, and protests regarding Chinese Customs and Salt revenues, exchange control, currency, railway loans, closure of the Yangtsze, purchase of Chinese products such as leaf tobacco, eggs, hides, etc.

JOHNSON TRAVELS OVER BOMBED YUNNAN RAIL

Nelson T. Johnson, American Ambassador to China, departed from Hanoi on Feb. 20 for Chungking by way of the French Indo-China Railway which runs to Kunming, capital of Yunnan Province. Accompanied by Judge Milton J. Helmick of the U. S. Court for China, Ambassador Johnson was to make the rail section of his journey to the Chinese capital in a "Micheline" autorail, which is a single car with a gasoline motor. Use of this distinctive vehicle was apparently decided upon in view of the Japanese aerial attacks on the Yunnan section of the line. Automobiles have been sent to Kunming by the American Embassy and the Chinese Government to convey the Ambassador and his party to Chungking.

Chinese Hint Recapture of Nanning Near as Tokyo Scouts Victory Claim

NEWS of the Sino-Japanese war during the past week or ten days has been largely confined to copious dispatches in which Japanese spokesmen have scouted Chinese claims of important victories on the Kwangsi front, and Chinese reassertions of significant military gains.

A War Office spokesman in Tokyo ridiculed Chungking reports claiming that Japanese forces had withdrawn and that Chinese troops had recaptured Pingyang, north of Nanning, after defeating the Japanese. Japanese troops, he asserted on Feb. 17, had made a "triumphant return" from the Pingyang area to Nanning after inflicting 300,000 casualties on about 400,000 Chinese troops which had attempted to recapture Nanning.

Challenge to Chinese

Lieut.-Gen. Jiro Saito, Japanese military spokesman in Shanghai, invited the Chinese "really to retake some important point like Nanning, for instance, instead of misleading the world with lies." Japanese troops, he said, would give the Chinese a "warm welcome."

Japanese assertions that their forces had voluntarily withdrawn from Pingyang and Wuming were commented on by a spokesman of the Military Affairs Commission in Chungking on Feb. 15. According to *Kuo Min*, the spokesman said that the Japanese were trying to further deceive the Japanese people and thus arrest the growth of anti-war sentiment in Japan. He reiterated Chinese claims that the Japanese troops had been forced to fall back on Nanning after suffering a series of bloody defeats at the hands of the Chinese Army.

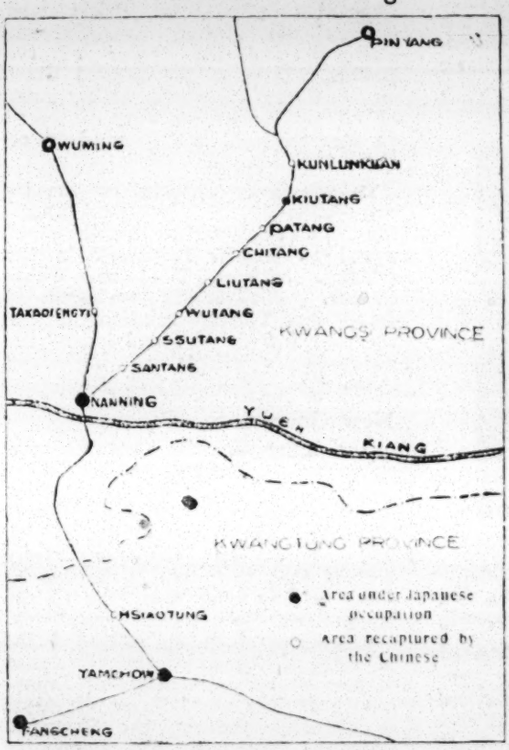
A report from Kweilin, capital of Kwangsi province, published in the *Chinese-American Daily News* on Feb. 19, asserted that Japanese troops were abandoning Nanning and retiring to Yamchow before repeated Chinese assaults. The report said that Chinese vanguards were "hammering" at Nanning and that fires were raging in the city, thus creating the impression that capture of the city by the Chinese was imminent. A *Kuo Min* report of the same date, also from Kweilin, claimed that street fighting was taking place in Nanning between the Japanese garrison and a Chinese unit which had penetrated the Japanese defenses. The main Chinese forces were continuing their advance on Nanning, the report said, adding that they were within seven miles of the city.

Nanning Said Entered

Two days earlier, on Feb. 17, Gen. Ho Ying-ching, Chinese War Minister, announced in a radio broadcast from Chungking that Chinese troops were only 10 miles from Nanning and that the Japanese were preparing to withdraw to Yamchow. The Hongkong *Ta Kung Pao* reported the same day that Chinese troops had entered Nanning on the night of Feb. 16. Chungking celebrated the reported new victory with a big firecracker display, *United Press* reported.

Chungking propaganda claiming recapture of Nanning caused general laughter in the Japanese garrison at Nanning, while Chinese army officers held prisoner "smiled sardonically" when told of the Chungking claims, *Domei* reported from the Kwangsi

Chinese Gains in Kwangsi



Map shows the numerous points between Nanning and Pingyang recently reoccupied by Chinese forces. According to Chinese reports, fighting is now going on for possession of Nanning.

city. The Japanese military spokesman in Shanghai said the Chinese were "probably dreaming" in claiming the recapture of the city.

Lengthy proclamations pointing out the "uselessness" of continuing military offensives against Japanese forces were dispatched to Gen. Chiang Kai-shek and other Chinese military leaders by the command of the Japanese Expeditionary Force to South China, *Domei* reported from Nanning on Feb. 14. Making special mention of the "failure" of the Chinese offensive around Pingyang despite the bravery of the Chinese troops, the proclamations declared that Japanese forces were prepared at all times to repulse any advances attempted by Chungking Government troops. To this was added: "All strategical areas necessary for the establishment of a new order in East Asia have been captured, and Japanese forces have no desire to expand Japanese-occupied areas." Recipients of the proclamations, in addition to the Generalissimo, were Gens. Pai Chung-hsi, Chen Cheng, Chang Fa-kwei, Tsai Ting-kai and Hsu Ting-tao.

Chungking Reaction

Chungking reacted to the proclamations on Feb. 18. According to *Reuter*, the Chinese military authorities expressed surprise and bewilderment at the Japanese messages, which were broadcasted by radio. Chinese tactics may not be clever, they asserted, but they are the same tactics which frustrated Japanese drives in northern Hupeh, southern Shansi, northern Hunan, northern Kwangtung and southern Kwangsi. "In south China, unfortunately," they commented further, "Japanese troops did not dare to penetrate further, and the speed of their retreat was unusual. The Chinese therefore succeeded in entrapping only a portion of their forces. Otherwise the Chinese plan of annihilation would have been realized."

Derogatory references to the Chinese Army were made in the Lower House of the Japanese Diet on Feb. 19, according to *Domei*. Maj.-Gen. Akira Muto, director of the Military Administration Bureau of the War Office, declared that Chinese troops were growing ever more inferior, the fighting power of one division now corresponding to less than that of a Japanese battalion, whereas a Chinese division used to be equal to a Japanese regiment.

Was Hofei Recaptured?

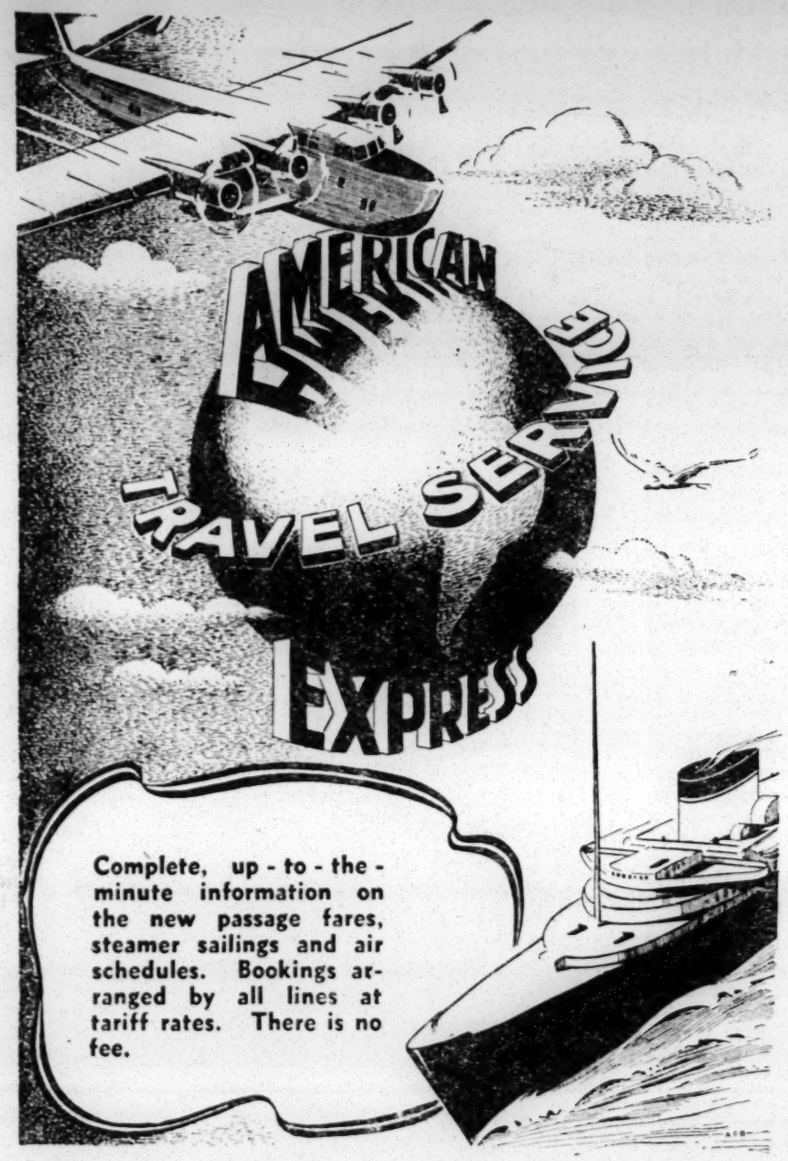
Chinese reports, quoted in a *Reuter* dispatch from Chungking on Feb. 16, declared that Hofei (Luchow) on the north bank of the Yangtsze River in Anhwei, was recaptured by Chinese troops after a surprise attack on Feb. 11. The local Japanese Army spokesman described the Chinese claim as totally groundless and said no fighting worthy of the name had taken place near Hofei since the middle of January.

The renegade army of Gen. Hwang Ta-wei is still advancing in Fukien province, according to Japanese reports. Kiangwei, a harbor on the southeastern portion of the Fukein coast, was taken by Gen. Hwang's force on Feb. 17, *Domei* reported from Amoy. Kiangwei lies 20 kilometers south of Amoy. Gen. Hwang is connected with the Wang Ching-wei clique.

Siaoshan, opposite Hangchow on the south bank of the Chientang River in eastern Chekiang, appears to be still in Japanese hands, despite a previous unconfirmed report that it had been retaken by Chinese troops on Feb. 9. That fighting for possession of the city is going on fiercely is indicated in both Chinese and Japanese reports. Chinese sources assert that strong Japanese reinforcements have been brought up to repel Chinese attacks in the vicinity.

A Japanese detachment captured Taipingkai, in the Nanchang area of northern Kiangsi, on Feb. 16, according to a *Domei* report from

(Continued on page 456)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Chengtu Cooperatives Chalk Up Big Gains After One Year of Activity

By Hugh Deane

FEBRUARY marks the first anniversary of the cooperative movement in Chengtu, capital of Szechwan province. Because of the visit of Sir Stafford Cripps the event was celebrated ahead of time, in the last days of January. On January 26, Sir Stafford Cripps addressed a large gathering of representatives of Chengtu's 51 cooperatives. K. P. Liu, secretary-general of the Chinese Industrial Cooperatives, translated. Cripps, who is a member of parliament, brought greetings from the workers of his constituency to the members of the Chengtu cooperatives.

In his address, Cripps stressed the importance of cooperative education. "Maintain your cooperative spirit," he said. "Even should a time come when private industry can offer you, temporarily, a higher wage, resist it in the name of what the attainment of the cooperative goal will mean to you."

West China Headquarters

Chengtu is one of the cooperative centers of the West China Headquarters of the Chinese Industrial Cooperatives, comprising Szechwan, Sikang and western Hupeh, and embracing 40% of the total 1,300 cooperatives. It's first year's record, therefore, indicates to a certain extent the progress and problems of the cooperative movement as a whole.

A year ago the first cooperative, a machine shop, was organized. By March five cooperatives had been started, and by June eighteen. In July, with the organization of the weaving coops, the number jumped to 47. Now 51 are in operation.

Of these 51 coops 37 are engaged in weaving and spinning. Since August they have been occupied largely in making blankets to fulfill Chengtu's share of the order from the war ministry. By February they had made about 30,000 blankets, and are now preparing to increase their production to help meet the ministry's new order for 1,500,000 more blankets.

Diverse Enterprises

The other cooperatives are greatly diversified: three tailoring, two shoe manufacturing, one machine shop, one silk weaving, one dyeing, one printing, and one each which manufacture medicine, tobacco, and stockings.

In the immediate future three new cooperatives are projected: another silk weaving coop, a leather tannery and a paper-making coop. The paper-making coop should be able to provide paper for the printing cooperative, which has been handicapped by the rising price of the native product.

The tragedy of the year for the Chengtu cooperative movement was the burning of the main branch of the printing cooperative early in December. Fortunately, one section of the coop had been placed near the West China Union University campus, where it was engaged in printing the *Chengtu News Bulletin*, an English daily. The salvaged machinery from the destroyed coop was moved out to the branch and a new building built, which has now been finished. The coop is already operating.

The rise in membership parallels the increase in the number of cooperatives. Last April Chengtu had about 235 cooperative members. With the establishment of the weaving coops the number jumped abruptly to around 475. Since then it has stabilized at 500. The number of workers employed by the coops slightly exceeds the number of members—512. One of the aims of the district administration, which is under the capable leadership of Mr. D. D. Su, is to increase the percentage of members. Besides members and workers, the coops have 198 apprentices who are training to become members. According to Mr. Su, this number will not rise during the coming year.

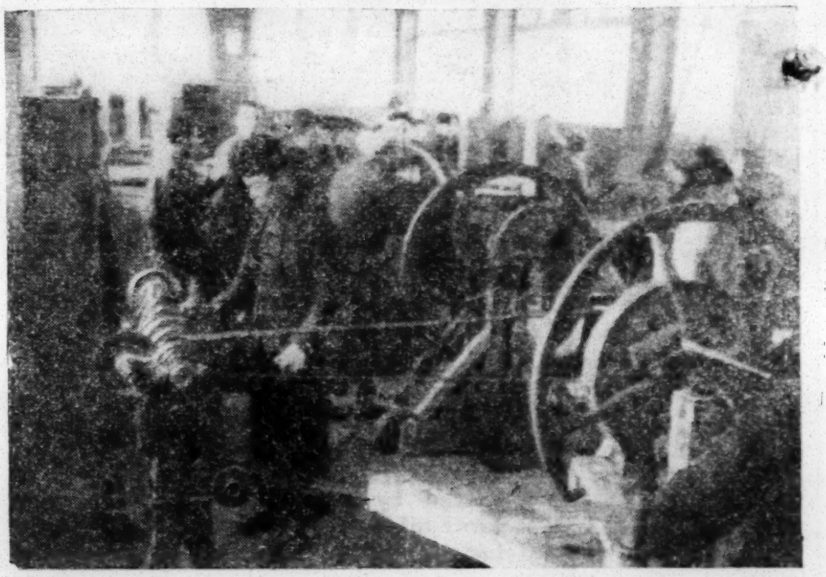
The cooperatives in Chengtu have received loans totaling $249,435, half of which has come from the C.I.C. and half from the Bank of China. The amount of loans has increased steadily since last February, save during the bombings of last May and June, at which time cooperative activity was confined to moving out of the city into small surrounding villages. Two-thirds of the loans are on a short-term basis. Since last August no long-term loans were made. By that time all coops requiring heavy capitalization had been started.

Production Advances

Monthly production advanced slowly. It exceeded $100,000 in value for the first time in September, but in December topped $200,000. Total production reached $100,000 by July, passed $300,000 in September. By December over $800,000 worth of goods had been produced. The net profit was at first almost infinitesimal, when it existed at all. By late summer it approximated $25,000, and by December almost reached $80,000.

These statistics indicate that the Chengtu cooperatives have progressed rapidly, if not uniformly, in one year. In the last three or four months few new cooperatives have been organized, but existing ones have been strengthened. Not all of the coops, however, are in a healthy condition. Most of them have problems which must be faced, but three in particular are weak: the tobacco manufacturing coop, the printing coop (largely because of the fire), and one of the tailoring coops. The inefficient tailoring coop may possibly be amalgamated with one of the others.

Cooperation in Chengtu



Interior view of the machine-shop run by the cooperative movement in Chengtu, which is described in the accompanying article.

Cooperative Problems

What problems do the Chengtu cooperative movement have to cope with? First, and all important, is the question of finances. Capital is needed to start off the new cooperatives which are being planned. Money is needed to furnish administration for the district. During the last few months Mr. Su's office, which includes organizers, technicians and accountants, has had a maintenance cost of about $1,700. But the C.I.C. has only been able to supply a portion of this amount. Mr. Su has on occasion used his own salary for administrative purposes.

Related to finance is the need for a larger staff. The Chengtu headquarters needs more accountants, more organizers, and most of all more educators—men capable of inculcating the cooperative spirit into the members.

Making the members realize what real cooperation means has been a major problem. None of the members, of course, have had any cooperative experience. Behind their one year or less in cooperatives lie years

(Continued on page 462)

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The Fight for Nanning

(Continued from page 452)

Nanchang. Capture reportedly followed bloody hand-to-hand fighting.

New Shantung Drive

A new Japanese drive in Shantung got under way this week, according to a *Domei* report from Tsingtao. Japanese Army and Navy forces made a surprise landing at Shihtao, "Chinese guerrilla arms smuggling base on the southeastern extremity of the Shantung peninsula," and drove to Nansai, four kilometers north of the occupied harbor by noon on Feb. 19, the report said, adding that Japanese detachments were meanwhile deploying south of Weihaiwei and moving westward, pushing various Chinese guerrilla troops toward the sea.

Domei reported from Taiyuan on Feb. 17 that Gen. Wu Huai-ying had organized an "Asia Development Army" in the Shansi capital. The General, 47, had been moved by the suffering among the people of Shansi due to friction between the Kuomintang and the Communists and had therefore emerged from retirement to form a new military force, the report said—without, however, even the slightest hint that the General was working for the Japanese.

Gen. Hsiang Chi-kung, a commander of the Hangchow Self-Defense Corps, was executed at Kinhwa, provisional Chekiang capital, for failing to stop the Japanese crossing of the Chiantang River, according to a *Domei* report from Hangchow, which added, however, that the story was unconfirmed.

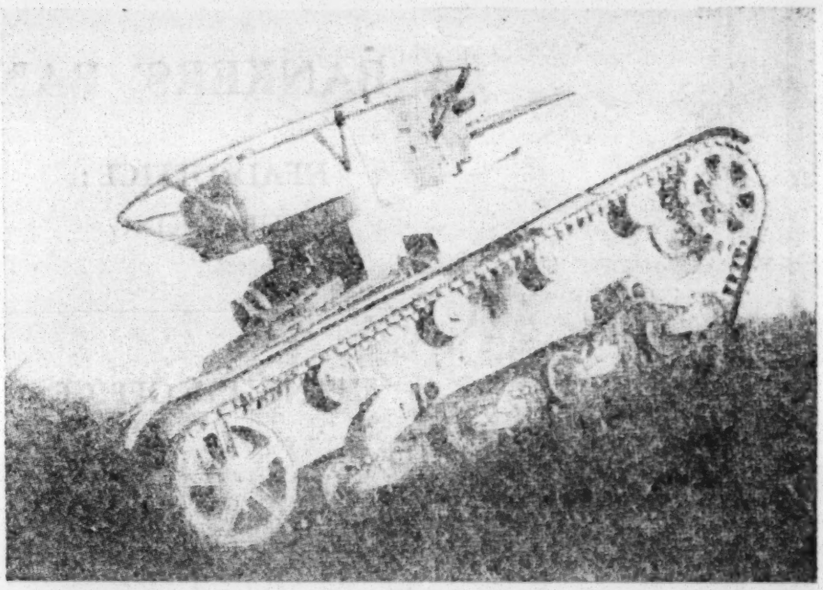
German Seamen Embark for Home via Japan, Siberia

Forty German seamen whose vessels are blockaded in Mexican ports were expected to embark at San Pedro, California, on Feb. 19, on the Japanese trans-Pacific steamer Heito Maru for Japan, according to a *Havas* report which said that the men intended to return to Germany via Japan and Siberia.

As a result of the recent *Asama Maru* incident, the Japanese Government instructed Nippon shipping companies not to book nationals of belligerent powers as passengers. If, therefore, the *Havas* report is correct, the order has already been violated and the ground laid for another Anglo-Japanese incident of the Asama Maru type.

According to a *Domei* report from Tokyo on Feb. 17, the Japanese Ministry of Railways has issued an order forbidding government-owned ferry boats plying between Fusan (Korea) and Shimonoseki from carrying Germans who may be subject to inclusion in Germany's military forces. Replying to an interpellation on the subject in the Diet, the Minister of Railways said a notice to this effect had been posted at ferry stations because his department was cooperating with the Ministry of Communications in the enforcement of the latter's new regulations, which arose from the Asama Maru incident.

Soviet-made Tank on the South China Front



Reproduced from the Japan Weekly Chronicle for Feb. 1, picture shows a Chinese tank said to have been captured by the Japanese on the South China front. The paper said the tank was of Russian manufacture.

Only 3,000 'Bandits' Left In Manchukuo, Hata Says

From about 300,000 directly after the Japanese invasion of Manchuria in 1931, the number of "bandits" in Manchukua has been reduced to 3,000 at the present time, Gen. Shunroku Hata, War Minister, told the Budgetary Committee of the Japanese Lower House on Feb. 15. The outlaws, he said, were located mostly in the eastern border regions of Manchukuo and were Communists. He made these statements in reply to a question as to whether military force or "gentler pacification measures" were more effective in subduing banditry in Manchukuo.

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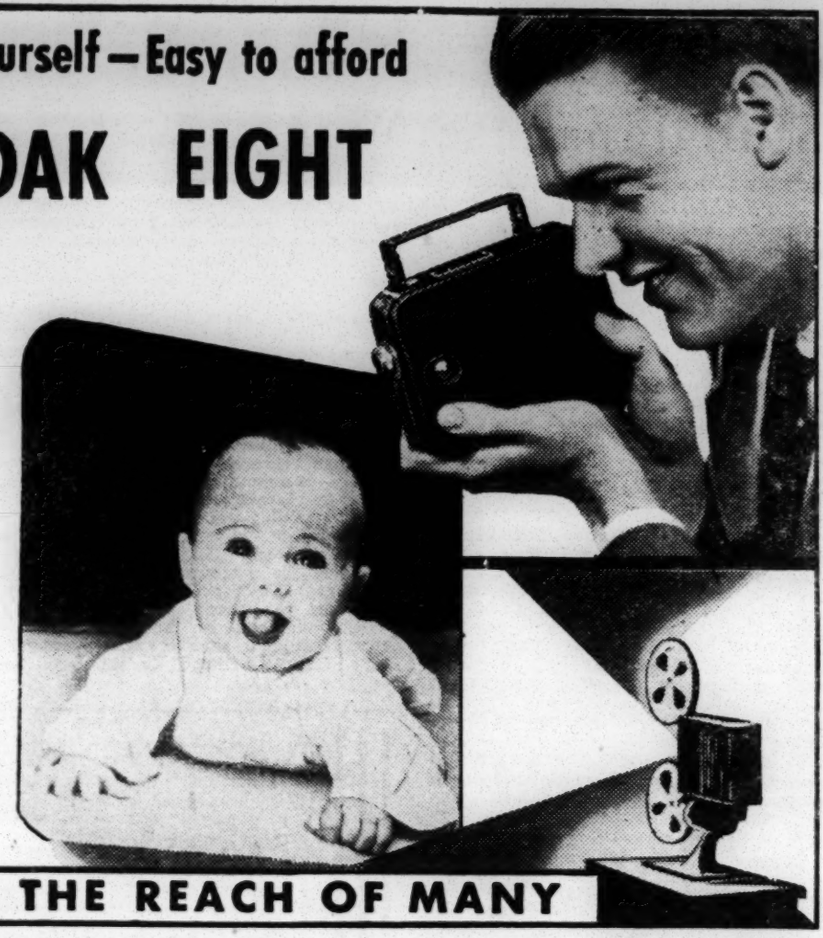

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Ford Output Hit Peak in December

The Ford Motor Company's December production was the largest for any month since June 1937. The company produced a total of 92,389 units—Ford cars and trucks and Mercury cars.

It was also announced that the company's domestic output of cars was 215,120 more in 1939 than in 1938. The major part of this increase came with the production of the 1940 Ford and Mercury cars, the demand for which has been steadily mounting right into mid-winter months.

Mercury production also established a record during the month, soaring more than 2,000 units above the best previous month since this new car was introduced 16 months ago. December production of the 1940 Mercury cars was 12,006.

Ford's Mercury Makes Record Andes Crossing

Down in South America, where road races and motor tours are top-flight sporting events, an "iron-man" publisher has become an international hero as a result of 96 hours and 8 minutes of hard driving. His name is Emilio Karstulovic, and a full account of his recent 3,120-mile dash in a Mercury sedan coupe across three countries and over some of the world's loftiest mountain passes, has just reached the Ford Motor Company here by airmail.

Karstulovic's route from Lima, Peru, through Bolivia and Argentina to Buenos Aires followed the course of the proposed Pan-American highway, which eventually will be extended 11,040 miles to link Buenos Aires and Washington, D. C. Only 685 miles of the road Karstulovic travelled were paved. The rest was alternately mud, sand, gravel, and frequently no road at all. It led through unbridged rivers, and to a height of more than 15,000 feet in one of the Andean passes between Arequipa and Puno, Peru. Not far from that point Karstulovic's mechanic was overcome by "soroche" or mountain sickness and had to be left in a doctor's care.

The trip, which was made under the auspices of the automobile clubs of Peru, Bolivia, and Argentina, aroused intense interest in these and neighboring countries. Thousands turned out in all the cities along the way to cheer the driver on. An immense crowd was on hand to acclaim him on his arrival in Buenos Aires, although it was nearly midnight when he sped across the finish line after 8 minutes more than four full days of driving. The trip was non-stop except for refueling and tire changes, and was made with all vital parts of the Mercury sealed by auto club officials. Karstulovic's average speed was 32.3 miles an hour.

Careful advance preparations made the dash possible. Karstulovic drove 12,500 miles on two preliminary round-trips between Buenos Aires and Lima to chart every foot of road and every curve, ditch and river crossing. On these trips he made arrangements for supplies of gasoline and oil to be stored along the route. He also took several thousand feet of motion pictures.

The trip was not sponsored, but was undertaken by Karstulovic as a sporting event and a goodwill mission. He carried greetings from the presidents of each of the nations to the presidents of the others on the route.

Nippon Fishing Vessel Boarded Near the P.I.

The Japanese fishing vessel Ryushin Maru, carrying a crew of about 60 men, was boarded Feb. 17 by an unknown warship off the coast of the Philippines, according to a radio message received by the Fukuchi Maru, a sister ship, *Transocean* reported from Tokyo. Since then, the German agency said, nothing has been heard of the vessel and there is anxiety in Japan regarding her fate.

Trotskyists in Paris Held for Defeatism

Widening their drive against Communists to include members of a French organization forming part of the Fourth Internationale, of which Leon Trotsky, exiled Bolshevik leader is the foremost leader, Paris police arrested 16 men on Feb. 19, according to a *Transocean* report from Brussels. They will be charged before a military court with defeatest activity. The police, according to the report, confiscated a quantity of leaflets containing anti-militarist propaganda when the arrests were made.

Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

January 24

In a message addressed to China's armed forces and civilians, Gen. Chiang Kai-shek declared that a close study of the Wang-Japanese secret agreement showed that "Japan really wants the complete subjugation of our country and the extermination of our race." Gen. Chiang charged that Wang did not care a whit about China's administrative or territorial integrity but all Wang wanted was "money, money, and money."

Prime Minister Neviile Chamberlain declared in the House of Commons that "the only government in China recognized by the British Government is the National Government of China, of which Gen. Chiang Kai-shek is the president of the Executive Yuan." Mr. Chamberlain added that Britain would have nothing to do with any puppet regime, referring to the new "central government of China" planned by Wang Ching-wei.

Chinese field dispatches reported a general retreat of Japanese forces in northern Hupeh, where a Japanese drive northward from Suihsien was said to have collapsed on Jan. 22.

Chinese reports confirmed the Japanese occupation of Hsiaoshan on the southern bank of Chientang River but stated that the Japanese attack on Shaohsing had been repulsed. Kinhua, provisional capital of Chekiang, said the goal of the new Japanese drive. Gen. Liu Chien-hsu, Commander of the 10th Group Army in the Third War Zone, is directing operations in the Hiaoshan area.

An official survey of the manpower and resources of "Free China" issued in Chungking revealed that of the approximate 11,500,000 square kilometers area of China, roughly 22 per cent represents the extent of invaded territory, while 78 per cent is still under Chinese control. The population in "penetrated China" is said to be about 42.5 per cent, while the population in "Free China" represents 57.5 per cent of China's total population.

Ambassador Nelson T. Johnson arrived at Nanking aboard the U. S. S. flagship **Luzon** on a trip to Hankow.

The Tsingtao conference of puppets agreed that Wang Ching-wei's proposed regime should be called the "National Government of China," that Nanking remain as "capital," and that the present Kuomintang flag be retained as the "national flag." It was decided that the three basic principles of the new government should be anti-Communism, cooperation with Japan and promotion of peace.

The funeral services for Marshal Wu Pei-fu held at Peiping, thousands of Chinese and foreigners paid tribute to the late Marshal.

***

January 25

Japanese forces which occupied Hsiaoshan January 22 and whose main objective appears to be Chuchi, 35 miles south of Hsiaoshan on the Chekiang-Kiangsi railway, had been halted, Chinese military spokesman at Chungking said.

In a severe two-day battle north of Suihsien, northern Hupeh, Chinese dispatches claimed, the Japanese suffered some 13,000 casualties; many Japanese units said ambushed and destroyed by Chinese forces.

Japanese reports alleged that Chinese troops near Kaocheng (north of Suihsien) and Tungnanchi had been driven back by four Japanese columns.

Japanese military authorities in Hangchow announced (yesterday) that their drive south of the Chientang River had been halted after having attained their objective. A peace maintenance committee headed by Ting Ming-jen established at Hsiaoshan.

Wang Ching-wei in a press interview at Tsingtao yesterday denounced Kao Tsung-wu and Tao Hsi-sheng (who revealed his secret agreement with the Japanese) as "fence straddlers." Wang admitted the genuineness of the document published by Tao and Kao in Hongkong but said it was only "the first draft submitted by the Japanese on Nov. 5, 1939."

January 26

The Japanese-American commercial Treaty expired. Official Washington reticent. Stiffening of Japanese attitude towards the United States urged by Tokyo press. Gen. M. Homma, Commander of the Japanese Garrison in Tientsin, warned the United States that Japan would never change her China policy.

Severe fighting now in progress near Shaoshing, south of the Chientang River. The Japanese pushing southward in two columns, one along the railway towards Ningpo and the other along the Fuyang River.

***

January 27

Heavy fighting reported raging in western Suiyuan as Japanese forces had crossed the Yellow River at Paotow and two other points.

After three days of severe fighting, Chinese forces in northeast Chekiang now steadily pushing the Japanese troops south of the Chientang River back towards Hsiaoshan. Japanese pressure on Shaohsing eased.

Wang Ching-wei returned to Shanghai after attending the puppet conference at Tsingtao. Wang claimed that "full agreement" had been reached between him and the leaders of the Peiping and Nanking regimes, Wang Keh-min and Liang Hung-chih, on the organization

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Who's Who in China

Liming Tseng, Government official; born at Foochow, Fukien, 1882; electrical engineer, L'Université de Liége, Belgium; Director, National Bureau for Manufacturing Weights and Measures, Ministry of Agriculture and Commerce; Director,

鄭禮明字朗昭

Liming Tseng (Cheng Li-ming)

National Bureau of Inspection of Weights and Measures, Ministry of Agriculture and Commerce; Vice-Chief-Engineer, Lui Ho Kou Coal Mining Company; Vice-Manager, Huai Nan Coal Mining Company; expert member, National Reconstruction Commission; now, Director, National Bureau of Standard Weights and Measures, Ministry of Economic Affairs; address: Ministry of Economic Affairs, National Government, Chungking.

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of a Central Political Council which would constitute a nucleus of a new central government. Wang further stated that the new regime, when established, would generally recognize foreign loans to China unless "illegally contracted by Chungking after the outbreak of hostilities."

After the creation of the Wang Ching-wei government, the Peiping "Provisional Government" would be reorganized into the "North China Political Affairs Commission," declared a Japanese army officer in Tsingtao. The Commission would enjoy a special status, so would the Mongolian Autonomous Administration at Kalgan, according to the Japanese officer.

Wang denounced by M. Sobolev, a member of the Soviet Supreme Council, as a "super-traitor." He said that Wang was chosen by the Japanese to "blow up China internally."

⁂

January 28

Japanese detachments which crossed the Yellow River in the Paotow sector in Suiyuan on Jan. 22 said to have been repulsed, according to Chinese field dispatch.

Chinese troops in northeast Chekiang yesterday counter-attacked the Japanese and pushed to Hsiaoshan where they engaged the Japanese garrison in street fighting.

The Soviet-Mongolian and Japanese-Manchukuo negotiations for the settlement of the question of the Manchukuo-Outer Mongolia border said to have ended in failure, according to a **Reuter** report from Paris. Delegates of the parties concerned to the conference reported to have left Harbin.

Maj.-Gen. Chiang Ching-kuo, eldest son of Gen. Chiang Kai-shek, appointed Administrative Commissioner and concurrently Peace Preservation Commander for the 4th Area of Kiangsi.

⁂

January 29

During the first two years of the war, China captured from Japan on the battlefields 1,475 armored trucks, 600 pieces of artillery (including trench mortars), 2,660 machine-guns, 52,000 rifles, and over 5,000,000 rounds of ammunition, according to figures published by the Military Affairs Commission. These figures only include those officially reported to Chungking.

The American Ambassador, Nelson T. Johnson, arrived at Hankow after an uneventful trip from Shanghai.

Gen. Masaharu Homma, Commander of the Japanese Garrison in Tientsin, warned Americans of the necessity of improving relations between the two countries when interviewed regarding the possible connection between the expiry of the U. S.-Japan trade treaty and the sudden intensifiation of barrier restrictions in Tientsin. Gen. Homma recently ordered the electrification of the barbed wire fences surrounding the British and French Concessions. "If all our efforts to improve relations with America fail," he said, "the Japanese will see no further reason to extend special privileges to American citizens."

Under cover of an intensive artillery barrage, Japanese troops at dawn yesterday launched a vigorous offensive against 20 Chinese divisions massed in the mountains between Pingyang and the famous Kulunkwan pass north-east of Nanning, stated a Japanese army communique. Chinese troops offered stubborn resistance from positions in the hills, the communique added.

Chungking Prepares for Renewed Bombing Raids

With the approach of spring and with clear skies becoming more frequent, the Chinese authorities in Chungking are preparing to meet new Japanese aerial bombardments, *Transocean* reported last week. Following the wholesale evacuation last spring and summer, most of the inhabitants of Chungking have returned to the city, swelling the population to at least 400,000, the German agency said. It is planned to reduce this figure to 250,000 by fresh evacuation measures, this figure representing the number of persons who can be accomodated in the air-raid shelters which have been tunnelled into the rock. The cutting of wide fire-breaks through the most congested part of the city has now been completed, the report added, so that fires started by incendiary bombs will not have the same disastrous effects as formerly.

Fire Destroys Dental Clinic of West China U.

A huge fire, starting at midnight on Feb. 18 and lasting over three hours, destroyed the dental wing of the medical school of the West China Union University in Chengtu, capital of Szechwan province, *United Press* reported. Most of the dental equipment was saved, although the building was burned to the ground, the report said, adding that the cause of the fire was being investigated.

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Men and Events

A French ambulance plane, which left its base at Tongking, Indo-China on Feb. 13, scheduled to fly to Kongkai on the Chinese border, crashed in Along Bay, resulting in one killed and two missing. The plane was engaged on a medical mission of mercy when the accident occurred.

•

According to *Domei* the Duke of Saxecoburg-Gotha, President of the German Red Cross, arrived in Japan on Feb. 17 from Germany, having made the trip by Trans-Siberian Railway. The Japanese report stated that he was proceeding to the United States, after visiting in Japan for several days. The German Ambassador, Major-General Eugen Ott, called on the Tokyo Foreign Office in connection with the visit of the German Red Cross head.

•

The American Consulate-General and Court were closed on Feb. 22, George Washington's Birthday. The Daughters of the American Revolution were scheduled to hold their annual dinner on Friday evening, the guest speakers being Prof. and Mrs. Donald Roberts of St. John's University. The Shanghai American School was closed for the day. The American Club's annual Washington Ball, held on the evening of Feb. 21, was attended by more than 300.

•

Alexander Kerensky, former Premier of Russia, who served for 3½ months in 1917 and was overthrown by the Communists, was married recently in the United States where he was conducting a lecture tour. The bride, Lidia Theresa Tritton, is the daughter of an Australian industrialist. They were married at the town of Marton's Creek, Pennsylvania. Kerensky fled from Russia in 1918 and since has resided abroad.

•

J. P. Morgan and Company, oldest, largest and best known private banking house in the United States, is shortly to be converted into a public bank and trust company, incorporated under New York laws, according to *United Press* report from New York. The Morgan firm is chiefly known in the Far East as a former lender of large sums to the Japanese Government, the last loan amounting to U.S.$35,000,000—for the development of electrical enterprises in Formosa—having been made in 1931, shortly before the outbreak of hostilities in Manchuria.

•

Keikichi Tanamogi, Mayor of Tokyo and executive director of the Minseito Party, died at 9.30 p.m. on Feb. 19 at the age of 73 a few days after undergoing an operation for removal of gallstones. He was editor of the *Hochi Shimbun* and later business manager of the paper. He was also president of the Imperial News Agency. In the Hirota Cabinet he served as Minister of Communications. He was elected to the Lower House of the Diet nine times as a representative of the Tokyo District.

Mrs. C. E. Gauss, wife of the American Consul-General at Shanghai, and their son Charles B. Gauss, sailed for the United States on the President Taft on Sunday, Feb. 18. Mr. Gauss, who has been appointed Minister to Australia, will remain in Shanghai for some time before proceeding to his new post. The President Taft was scheduled to sail directly to Honolulu, omitting all Japanese ports.

•

The new liner, recently put in service by the N. Y. K., the Nitta Maru, made a speed of 22.474 knots in the test trials conducted on Feb. 16. The ship is the first of three new liners of 16,500 tons under construction to be launched, the others the Kawata Maru and Kasuga Maru being scheduled for launching in August. The ships were originally scheduled for the Japan-London run, but due to the war the Nitta Maru will be placed on the Orient-California route. It will sail about April 15.

•

A British Relief Unit, composed of six British university men, working under the auspices of the British Fund for China Relief, is departing shortly from London, according to *Reuter* report on Feb. 16. The unit will make its headquarters in Kweiyang, capital of Kweichow province. The unit was organized by Prof. Evert Barger of Bristol University and Lieut.-Col. Llewellyn Evans, well-known player of rugby. Dr. F. F. Tucker of the English Methodist Mission will join the group at Hongkong.

Louis Azadian, French citizen and resident of the Shanghai French Concession, was "severely cautioned" in the French Consular Court on Feb. 14 for selling two revolvers to White Russians, who allegedly turned them over to a Chinese gang on Shansi road. The pistols were found after the recent battle between police of the International Settlement and Chinese gangsters from the "Badlands," in which two Chinese were killed. Among the eight revolvers seized, two were found to be those sold by the Frenchman to the White Russians. When Azadian's house was searched another revolver was found on the premises.

•

Dr. Lin Yu-tang, China's best known novelist—in the English language—who has resided in the United States and France for several years, will return to China shortly. Mrs. Lin and their three daughters, who are now with Dr. Lin in New York, will also return, according to the report. Dr. Lin expressed the view that the U. S. loan of $20,000,000 would greatly bolster Chinese morale and strengthen the country's resistance. He expressed the view that Japan would "crack up" in less than two years because of the heavy expense of maintaining a million troops in China and the staggering war debt which has been built up since the beginning of the war. Dr. Lin also said the rump Kuomintang regime which Wang Ching-wei planned to set up under Japanese auspices "would surely fail."

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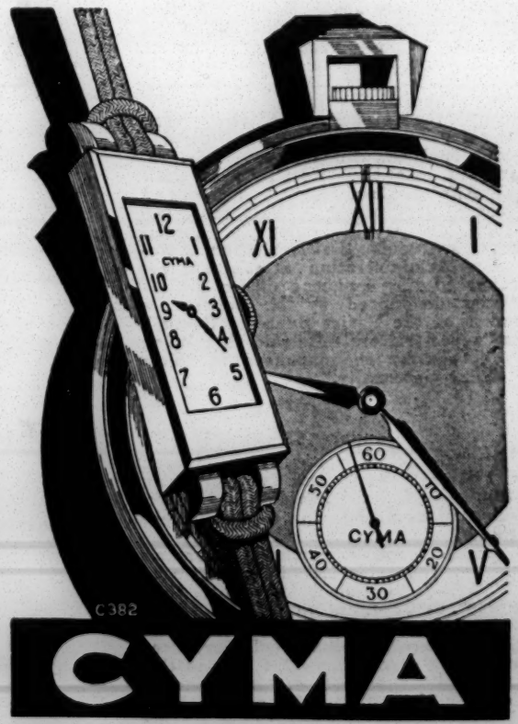

CYMA

Ninety-seven Chinese seamen, who previously had served on various British ships, but had resigned because of submarine and mine dangers in European waters, arrived in New York on Feb. 19 where they will board the steamer Themius for a return voyage to Hongkong.

•

Rear Admiral Claude C. Bloch, former Commander of the Battle Force of the U. S. Fleet, has been appointed Commandant of the 14th Naval District at Pearl Harbor, Hawaii. He succeeds Rear Admiral Orin G. Murfin, who will retire on May 1 at the age of 64. Admiral Bloch served in the Far East in the Philippine and Boxer campaigns in 1900 and 1901. Admiral Murfin was Commander of the U. S. Asiatic Fleet in 1936-1937.

•

The Philippine Government, according to *United Press* from Manila on Feb. 20, has decided to open new coal mines in the region of Mindanao which will provide employment for 2,000 men immediately. The decision to open new mines was made because of the serious coal shortage due to large sales of coal to Asiatic and European countries because of the war situation. The mines will be the first large-scale coal development in Mindanao.

•

More than 60 German Jewish refugees who came to Shanghai from Germany several months ago, and applied to the French Forces in Shanghai for enlistment in the French Army for service in the European war, have been accepted, according to a statement of the French authorities here this week. The men have not yet received permission to sail for Europe.

•

John Kenneth Rummel, Jr., 16-year-old American youth of Shanghai who disappeared from the President Coolidge, while the ship was at Honolulu on Oct. 25 last year, was found this week working as a stable boy on a Hawaiian sugar plantation. Young Rummel, whose father is an engineer connected with the Shanghai Power Company, told the Hawaiian police that he did not wish to return to the Orient and wanted to earn his own way. He had adopted the assumed name of Duncan McCrea and was caring for a team of mules on the plantation, for which he received U. S. $2 a day.

Mrs. Walter J. Kelly, whose husband is head of the firm of Muller and Phipps, Ltd., sailed for the United States on the President Taft this week. P. S. Gilman, manager of the American Trading Company, and Mrs. Gilman, also sailed aboard the Taft for the United States on vacation.

•

Mrs. Betsey Roosevelt, wife of President F. D. Roosevelt's eldest son James Roosevelt, filed a brief cross complaint in her husband's divorce complaint on Tuesday, Feb. 20. Mrs. Roosevelt charged her husband with desertion and mental cruelty. She also denied the charge of desertion in her husband's complaint. The James Roosevelt divorce action was filed in Los Angeles last week.

•

Mrs. Francis Burton Sayre, wife of the U. S. High Commissioner to the Philippines, broadcast a talk on the Chinese Industrial Cooperatives, over the Philippine radio station on Feb. 20. Mrs. Sayre is honorary president of the Chinese cooperative movement in the Philippines and has assisted in various campaigns to raise funds for civilian relief in China. She stated in her broadcast message, which was plainly heard in Shanghai, that the sum of 14 pesos or U. S. $7 would provide a permament job for a Chinese war refugee. Kuangson Young, Chinese Consul-General at Manila, was host on the evening of Feb. 19 at dinner when he entertained the High Commissioner and some 100 other guests at the Amaraos Polo Club.

Jim Marshall, correspondent for *Colliers Magazine*, was in Shanghai this week on his way to India where he plans to write some articles dealing with the situation in that country. He was accompanied by Mrs. Marshall. Mr. Marshall was on board the U. S. S. Panay when that ship was bombed by the Japanese near Nanking in 1937. He was seriously injured by a splinter of shrapnel which struck his throat, but has practically recovered. Mr. and Mrs. Marshall plan to return to the United States by way of Shanghai and may stop over here for a time.

•

Mrs. Agafia Garzey, a Russian woman who came to Shanghai several years ago as an emigre from Russia, celebrated her 100th birthday on Sunday, Feb. 18. She celebrated the day by walking from the Russian home for aged women at 1229 Rue Lafayette, where she resides, to Bubbling Well Road and return. She has, on occasion, walked the entire distance from her home in the French Concession to Range Road in the Hongkew district, according to the report. Mrs. Garzey was born in Sebastopol in the Crimea on Feb. 18, 1840 and left her native home before the Crimean war. She came to Shanghai from Vladivostok in 1930. She said that she was not disturbed by the Shanhai war as she had been present in Crete when that city was bombarded in the war between Greece and Turkey in 1896. Among those who sent her birthday greetings and presents was Mme. Cosme, wife of the French Ambassador to China.

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Tsung Yung-fu, Vice-Minister of Foreign Affairs of the National Government, flew from Kunming to Rangoon on Feb. 19 for the purpose of conferring with the authorities of Burma.

*

The President Garfield, first of the American President round-the-world liners to resume calls at Shanghai, was here on Tuesday of this week. The vessel came here from Kobe, which was the only port touched in Japan. The schedule of these steamers includes calls at San Francisco, Honolulu, Kobe, Shanghai, Hongkong and Manila in the Far East.

*

The Indian Merchants' Association of Shanghai, formed several months ago, held its annual meeting on Saturday, Feb. 17. Haji A. R. Savul, president of the Association said that a letter had been sent to H. H. the Nizam of Hyderabad, telling him of the important position of Indian merchants in Shanghai and urging him to contribute funds for the construction of a permanent headquarters for the Association. Mr. Savul said that most persons in Shanghai regarded Indians as only fit for watchmen or other jobs which did not require "brain work." He also pointed out that British India is the fifth industrial nation of the world and would figure large in the future trade of China. He also said that Indian troops would again assist Britain in the war when they were required. The committee of the Association is composed of Mr. Bhedwar, N. B. Doodha, from the Parsees Community; L. Gidumal and Sukhramdas, from the Hindu community; Mr. Abdeally and Savul from the Muslin community.

Japanese Modify Ban on Shantung Coast Shipping

Partial lifting of a ban on seaborne traffic along the Shantung promontory was announced Feb. 20 by Vice-Admiral Naokuni Nomura, commander-in-chief of Japanese Naval Forces in North China waters. A ban on shipping between Weihaiwei and Tsingtao was imposed Feb. 15, with the two ports excluded, due presumably to renewed Japanese military activity along the coast. The partial lifting of the ban has enabled shipping to resume activity between Tsingtao and Haiyang, 100 kilometers northeast of Tsingtao.

Japan's War Minister, Gen. Shunroku Hata, made a reference to the projected partial reopening of the Yangtsze in the Diet on Feb. 19. Conditions on the spot would determine the actual date of the reopening, he said, adding that when Japan announced her intention to reopen the waterway from the coast to Nanking on Dec. 18, no time-limit was fixed.

The Shanghai *Mainichi* reported on Feb. 16 that the Nazi flag was likely to appear on the Yangtsze "with a vengeance" when the waterway is reopened. Carlowitz and Company, well-known local German firm, are planning to enter into competition with British firms in Yangtsze shipping once the river is reopened to general navigation, the paper asserted.

Chengtu Cooperatives

(Continued from page 454)

during which they absorbed the contentious and bitter competitive spirit of traditional Chinese economic life. The change of atmosphere was sudden, and old habits and manners persist. The C.I.C. leaders have had to combat attempts by some members to dominate the rest, and attempts by the members to exploit the employees and apprentices.

Educational Program Planned

Such situations have made the Chengtu cooperative leaders realize the importance of cooperative education. An educational program has been planned for the coming year. First, the leaders of the various coops, about 100 in all, are to live together for a week during Chinese New Years. During this week cooperative problems will be discussed, and methods for dealing with them decided upon. Such a conference should help to increase organizational loyalty.

The majority of cooperatives, since the bombings of last spring, have moved out of the city into nearby villages. Such a circumstance has produced a new plan for the education of the cooperative members and their children. Near each group of cooperatives a school is to be built. In the daytime the children can go to school, and in the evening classes will be held for the adults. Those who are illiterate can be taught to read and write. The group can entertain itself, and in so doing develop group loyalty and cooperative spirit.

The realization of such a plan will take considerable time. In the meantime, weekly educational meetings in the coops themselves will be held.

Cooperative Clinics

Another project for the coming year is the establishment of a cooperative clinic, like those which have already been organized in the Northwest. This clinic will be centrally located and available to all cooperative members. Even now the machine shop, which is some distance out of the city, runs a clinic of its own.

In one year a significant industrial cooperative movement has materialized in Chengtu. The development of the cooperatives testifies not only to China's tremendous need for them, but also to the determination and ability of the leaders. Various members of the foreign community have generously contributed their assistance. The cooperatives must solve many serious problems, but they face their second year with optimism.

Chengtu, Szechwan,
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New Books of Interest in the Far East

Unofficial Secretary

MISS BAX OF THE EMBASSY—By Emily Bax. Published by the Houghton Mifflin Co., Boston, 1939. 311 pages. Price U.S.$3.00. (New Edition. First published in 1930).

This delightfully written and intensely interesting book makes reading of the finest sort. A thread of history runs throughout the book's bright pages to hold the story together, but essentially it is a series of highly entertaining anecdotes and character sketches centering around the American Embassy in London between 1902 and 1914.

When Miss Bax, a young English stenographer, was sent to the American Embassy by a London employment agency she had never before met an American. Within a few years she was regarded by the Embassy staff as an "unofficial secretary"—although such recognition certainly never was forthcoming from the State Department in Washington.

Miss Bax pays only passing attention to the concrete diplomatic problems of her years in the Embassy. She makes no important new revelations regarding those years of Anglo-American relations. But she brings to life the people and environment responsible in part for shaping world events before 1914.

At times quite gossipy, Miss Bax never fails to be entertaining and occasionally, through sheer sincerity, enthusiasm and friendliness of style, writes genuine drama.

Walter Winchell and Samuel Pepys working together could not have written a better string of anecdotes and character sketches from the Court of St. James social life before 1914, particularly that phase involving Americans.

Another feature of the book is the intimate acquaintanceship the reader feels has been struck up between himself and Miss Bax. She is frank, sometimes critical, but always fair and understanding. She has something good to say of almost every American who marches in the long parade of Embassy notables and Embassy pests through the pages of her book.

Miss Bax includes in her book sufficient quotations regarding what others have said of her to give the reader a character sketch of herself that appears to be as authentic as the sketches she makes of others.

Kings, Queens, American Ambassadors, Embassy Secretaries, American notables such as Mark Twain, Theodore Roosevelt, J. P. Morgan, Andrew Carnegie and William Jennings Bryan are the leading characters of the book. In the opinion of the reviewer, her descriptions of Mr. and Mrs. Whitelaw Reid are the best of the lot, but all are good.

Miss Bax introduces the reader to all the complexities of that part of Embassy life devoted not to treaty-making and other problems of major importance to nations as a whole, but to the endless minor problems brought to the Embassy by Americans abroad, particularly tourists. The system of presentation of foreigners at Court is fully explained and provides the opportunity for introducing an additional group of interesting anecdotes.

Miss Bax also demonstrates the difficulties under which the Embassy was forced to work because of the influence of the American political spoils system on the American Foreign Service, worse in her time than at present.

She also notes some of the ridiculous situations resulting from the ignorance of foreign affairs in the American Congress and the apparent lack of cooperation on some occasions from the State Department in Washington.

For example, she recalls an instance in which Congress was on the verge of adjourning without any apparent intention of confirming Foreign Service appointments then pending. Apparently completely overlooked by the State Department and Congress was the fact that the failure of Congress to act on the new appointments would leave the American Embassy in London in the hands of a 24-year-old third secretary who had arrived in England only a few weeks earlier. Congress finally acted when a member of the London staff brought the matter to the attention of his state Senator.

Miss Bax in later years became an American citizen and took up residence in the United States. Her outlook throughout her book is that of an interested, sympathetic and highly intelligent woman, watching her own country through American eyes and viewing American notables through British eyes. The effect is unique.

R. T. B.

Exporters Directory

A "Directory of Netherlands Indian Exporters," compiled by the Department of Economic Affairs of the Netherlands Indies, has just reached Shanghai and is likely to prove exceedingly valuable to business houses in this city which have, or contemplate having, commercial connections with the wealthy Far Eastern possessions of The Netherlands. In 184 pages, exporters are listed both in alphabetical order and according to the products which they export. A note by the publishers states that the volume was on the press when the war broke out in Europe last September and that its contents relate to normal conditions. It is published in English.

Peiping Police Told to Remove Anti-British Signs

The puppet Chinese police authorities in Peiping are understood to have received instructions to remove all traces of anti-British posters in the city and to destroy all unused posters, *Reuter* reported on Feb. 17. They were also said to have ordered the removal of signs in the Japanese language from shop fronts and windows.

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Special Reich Envoy Now Visiting Japan

Entrusted by the German Foreign Minister, Herr Joachim von Ribbentrop, with the task of examining the present state and future prospects of German-Japanese relations, Herr Emil Hilfferich, director of the Hamburg-Amerika Line (German steamship company), arrived in Tokyo on Feb. 13 and will remain in Japan for several months as the German Foreign Minister's special envoy, *Havas* reported from Tokyo on Feb. 18.

Precise purposes of the mission have not been disclosed. It is believed, however, that Herr Hilfferich will endeavor to arrange for shipments of Japanese and Manchukuo products to Germany via the Trans-Siberian Railway, and that he will also try to improve German-Japanese diplomatic relations which were worsened as a result of the Hitler-Stalin pact.

Exports to Russia Questioned

Of interest in this connection was a *United Press* report from Manila on Feb. 18 which said that Sir Geoffrey Northcote, Governor of Hongkong, had wired the British Foreign Office to advise the establishment of branches of the Ministry of Economic Warfare at Shanghai, Hongkong and Singapore for the purpose of controlling exports of war commodities to Russia.

Hongkong exporters, according to *United Press*, had informed the British Ambassador to China, Sir Archibald Clark Kerr, that Chinese exports to Germany via Russia had been increasing. To this the envoy was reported to have replied that he had received assurances that no Chinese products received by Russia under the Sino-Soviet barter agreement were going to Germany. The exporters in Hongkong, however, asserted that their markets were practically denuded because of the Soviet monopoly on numerous commodities (besides tea), including phosphates, antimony, wolfram, hides and other obvious war necessities. The huge quantities of materials shipped to Russia, they contended, were sufficient proof that they were reaching other than Soviet sources.

Gen. Hata Honored for Defense of Dogs, Cats

A silver medal and testimonial were presented this week to Gen. Shunroku Hata, Japanese War Minister, by the Japan Humane Society, for rising to the defense of dogs and cats in the Diet on Feb. 16 when Mr. Reikichi Kita of the Minseito Party proposed before the Budget Committee of the Lower House that the Government slaughter all dogs and cats in Japan (except those used by the military) in order to save the food they consume. In the absence of the Minister of Agriculture to whom the proposal was directed, Gen. Hata took up the issue. He declared that he was "not so sure" of the merits of Mr. Kita's suggestion for it would prove too painful to animal lovers. According to *Havas*, the General spoke with feeling, for he himself keeps two splendid hounds.

Chinese Stream Across Creek—to Buy Rice!

Toward the end of last week throngs of Chinese were seen streaming across the Soochow Creek bridges into Hongkew—not because they were seeking to return to old homes following abolition of the Japanese pass system, but to buy rice.

While south of the Creek rice was retailing at $54 per zah, the *Tairiku Shimpo* reported, the price north of the Creek, as set by the Japanese military, was $37 per zah or $17 cheaper.

Despite the warning proclamations against rice profiteering issued some time ago by the municipalities of the two foreign-controlled areas, profiteering in rice continues to the detriment and hardship of the bulk of Shanghai's population. With the price of rice at its present level, an industrial worker who earns 80 cents a day must labor more than two months to purchase a zah (176 lbs) of the staple. It is reported that workers and their families have been reduced to living solely on rice and the water in which they boil it, to which they add a little salt. Their miserable earnings do not permit use of any meats or vegetables or fruit.

Salt Merchant Killed In French Concession

Mr. Lu Ta, 54-year-old salt and rice merchant from Wuhsien, Kiangsu, was shot and killed by two gunmen as he was walking along Route Bourgeat near Route des Soeurs at about 9.15 a.m. on Feb. 17. His assailants managed to escape.

When French Concession policemen arrived at the scene, Lu had already expired and a search of his pockets revealed a number of namecards by which his identity was established.

It was found that the deceased had come to Shanghai, accompanied by his wife and three children, in order to pass the Chinese New Year holidays here. He was believed to be comparatively well-off, and although no definite clue has been found as to the motive for the murder, detectives were inclined to believe that he may have been shot at the instigation of some other salt dealers.

Death Penalty Urged For Traitor Merchants

The death penalty, without any mercy, for all Chinese merchants found dealing in Japanese merchandise was urged by the *Central Daily News* in Chungking on Feb. 18, according to a *United Press* report. Present regulations prescribe punishments ranging from confiscation of goods, fines and life imprisonment to death, "but this gives traitorous merchants a chance to escape serious punishment," the paper said.

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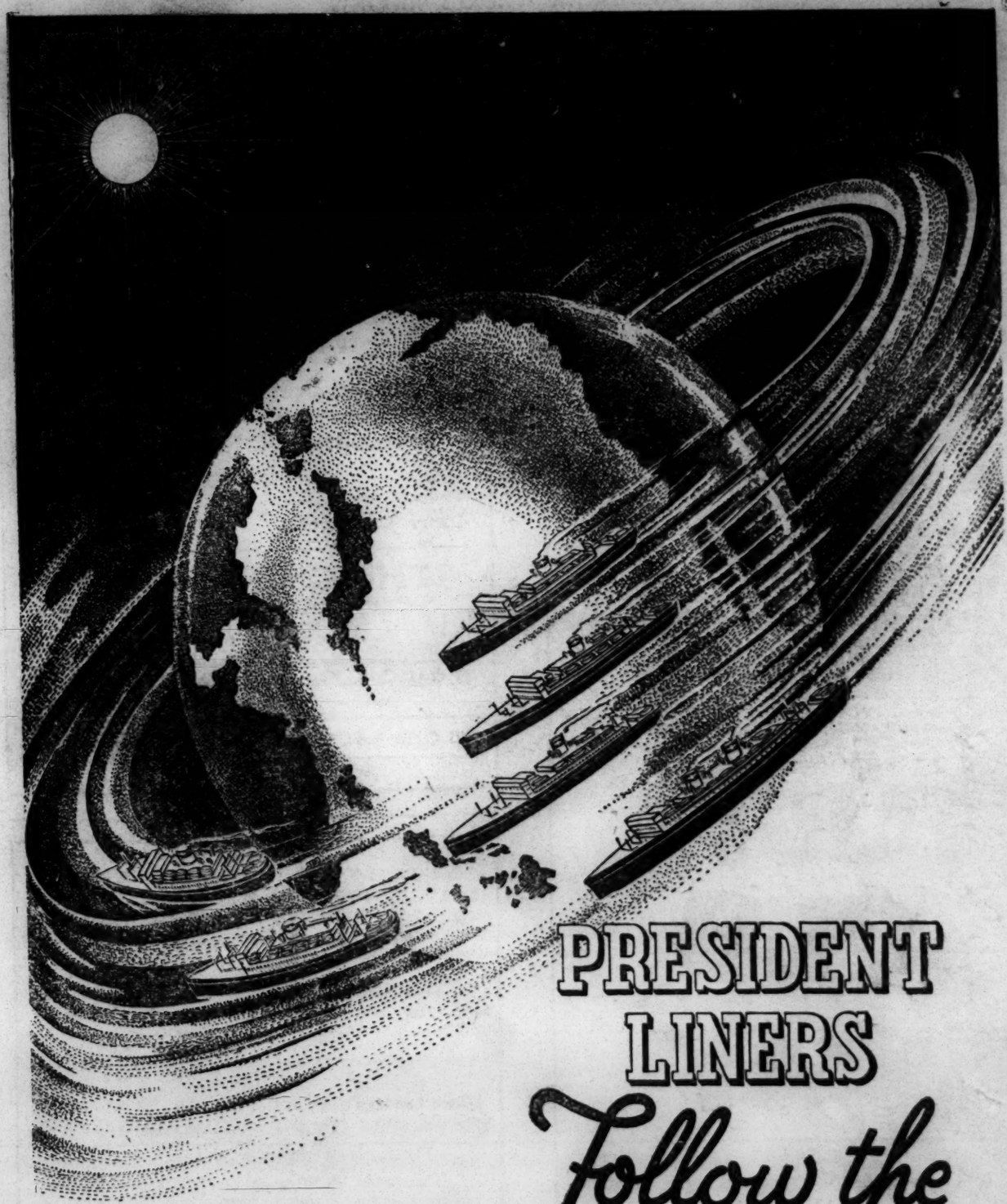

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